SANDHAR
Growth. Motivation. Better Life

*Ref: STL / Annual Report / 10092019*

*Dated: 10th September, 2019*

**To,**
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

**To,**
Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra-Kurla Complex
Bandra, (E), Mumbai – 400 0051

**BSE Code: 541163; NSE: Sandhar**

**Sub: Submission of Annual Report pursuant to Regulation 34 of SEBI Listing Obligations & Disclosure Requirements) Regulations, 2015 (LODR)**

Dear Sir/Madam,

In terms of Regulation 34(1) of LODR, we hereby submit the Annual Report for the FY 2018-19 duly approved and adopted by the members as per provisions of the Companies Act, 2013, in the Annual General Meeting of the Company held on Monday, 09th September, 2019 at 10:00 A.M. at Sri Sathya Sai International Centre (A Unit of Sri Sathya Sai Central Trust), Pragati Vihar, Bhisham Pitamah Marg, New Delhi - 110003.

You are requested to take same on record.

Thanking You,

Yours faithfully,

**FOR SANDHAR TECHNOLOGIES LIMITED**

Arvind Joshi
Whole-Time Director, Chief Financial Officer & Company Secretary
DIN:01877905

SANDHAR TECHNOLOGIES LIMITED

SANDHAR
Growth. Motivation. Better Life

# BROADENING HORIZONS.

# ACCELERATING BUSINESS.

SANDHAR TECHNOLOGIES LIMITED
ANNUAL REPORT 2018-19

**Annual Report Formats**

This annual report is available in the following formats:

Print Online Smartphones

To view this report online please log on to **www.sandhargroup.com**

**Forward-looking Statement**

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

# CONTENTS

**Ever since Sandhar Technologies Limited set a strong foothold in the sheet metal components business, we have been relentlessly working towards expanding opportunities beyond single product category. Our sheer focus on enhancing the value of our business has fared well for us all these years and we are confident it will continue being so in the years to come!**

We have not only successfully added a diverse range of product categories across automotive segments but have expanded our geographical reach to emerge as one of the leading players in key automotive components in the world. Our core aim, from the time we set sail on the journey to the present, has been to create value for not just our business, but also our employees, clients, and stakeholders. We shall continue, with equal zest to stride ahead and create more value and we are convinced that our competent team, our state-of-art R&D, and our core expertise will help us achieve greater heights while augmenting our capabilities, production and revenue.

# ABOUT SANDHAR

**A HOME GROWN COMPANY, SANDHAR TECHNOLOGIES LIMITED (SANDHAR), IS ONE OF THE LEADING MANUFACTURERS OF KEY AUTOMOTIVE COMPONENTS IN THE WORLD.**

Established in 1987 as a sheet metal components supplier catering to a major local OEM, Sandhar has today grown to be multi-faceted manufacturing player supplying diverse range of products across automotive segments.

With enhanced focus on catering to customer needs, our innovation-led product portfolio and a team of dedicated professionals are driving the Company ahead as we aspire to become a global leader across key automotive component segments where we are present.

## Sandhar's Growth Story ending*

**Topline**

₹2,335.82 crore

1.85 -fold increase since 2014

**Bottom line**

₹95.89 crore

2.9-fold increase since 2014

**Total Shareholders Returns**

14%

**Earnings per share**

₹15.92

2.5-fold increase since 2014

**CAPEX**

₹123.57 crore

**Investments****

₹67.44 crore

2-fold increase since 2014

**Networth**

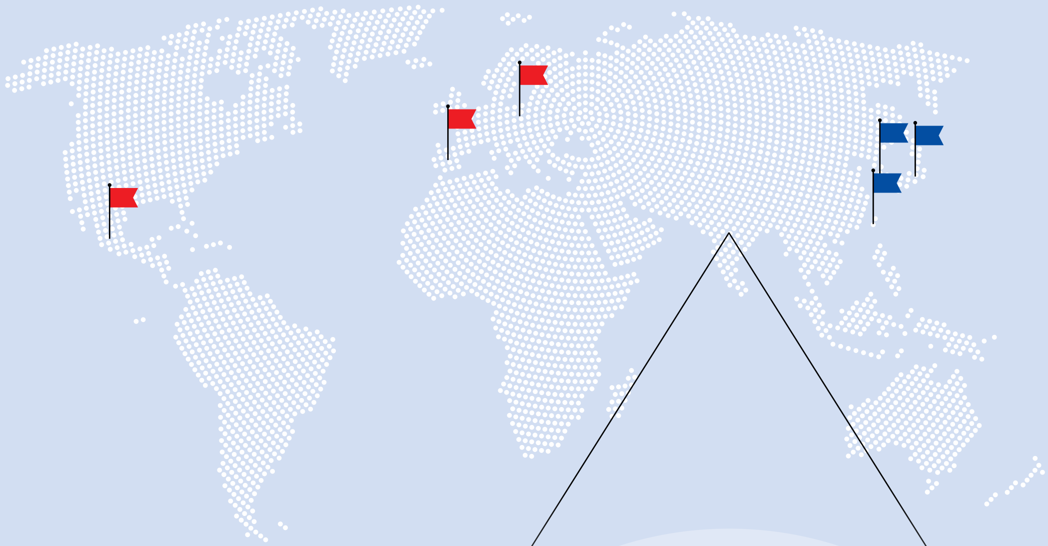
₹723.10 crore

3.5-fold increase since 2014

*For the year ending 31st March, 2019

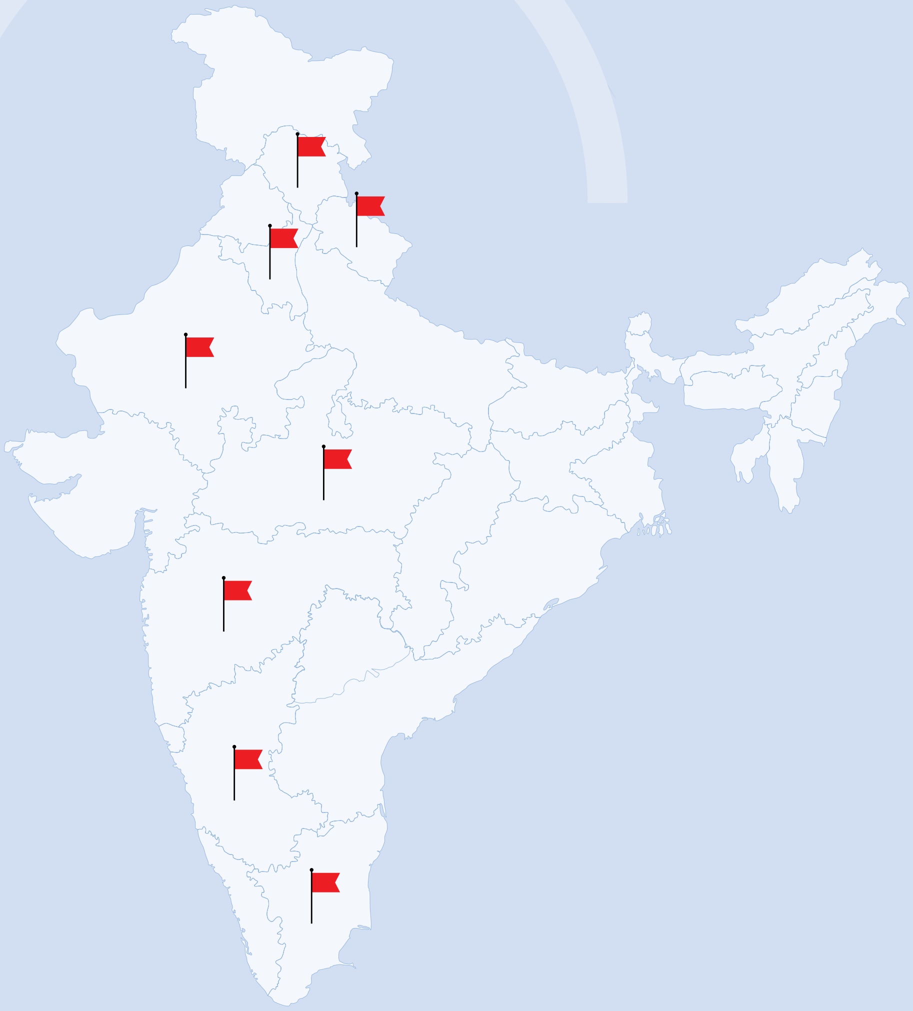
**On standalone basis

# OUR PRESENCE



## Collaboration

Japan
South Korea
Taiwan



## International

Poland
Mexico
Spain

## India

| | |
|---|---|
| Uttarakhand | **1** |
| Haryana | **13** |
| Maharashtra | **2** |
| Tamilnadu | **7** |
| Himachal Pradesh | **1** |
| Rajasthan | **2** |
| Karnataka | **6** |
| Madhya Pradesh | **1** |

# OUR CLIENTELE

## WE, AT SANDHAR, ARE COMMITTED TO FURTHER STRENGTHEN OUR CUSTOMER CENTRIC BUSINESS MODEL, WHICH CATERS TO THE DIVERSE NEEDS OF THE CUSTOMERS, BY LEVERAGING OUR CORE COMPETENCIES.

Our long lasting relationship with various OEMs in the automotive and non-automotive sector demonstrates our commitment and the value which we attribute to our relationship with our customers. It is also a manifestation of our ability to provide timely delivery of high quality, innovative products and services. We serve diverse needs of customers spread across in India, Europe, and NAFTA regions.

**80**

Number of OEMs we serve

### 2-Wheeler

### 4-Wheeler

### Off-highway Vehicles / Tractors

### Passenger vehicles

# MESSAGE TO SHAREHOLDERS

THE YEAR 2018-19 WAS YET ANOTHER PHENOMENAL YEAR FOR SANDHAR WHEREIN WE DELIVERED A GROWTH OF

**20.01%**

IN REVENUE.

## DEAR SHAREHOLDERS,

**It was another spectacular year for us at Sandhar, as we continue to deliver results that resonate our belief and commitments to build a sustainable business. It gives me great pleasure to see Sandhar, a home-grown company, emerge as a global leader in key auto components.**

The automobile industry landscape has been evolving at a fast pace, driven by various trends in global market including electrification, technology upgradation and autonomous mobility. A deep understanding of these trends and continuous innovation has led us to restructure our business to ensure sustained value creation. With stabilization in GST, the ancillary industry has become more organized and the industry has witnessed an increase in demand of quality products by consumers.

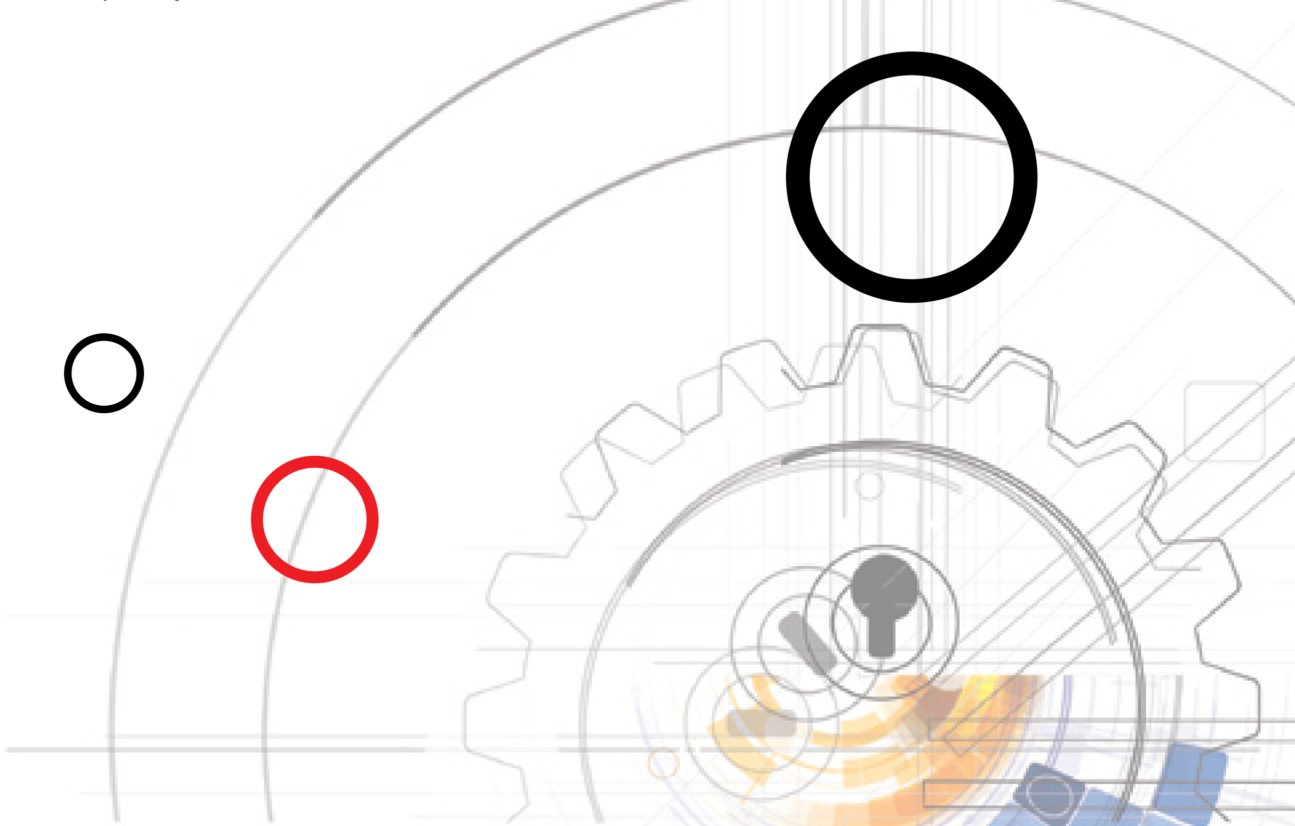
In an operating environment like this, our sustained growth depends upon our ability to innovate new products that meet the consumer's requirement. We, at Sandhar, have been leveraging our core strengths to convert these challenges into opportunities and outperform the industry average.

The year 2018-19 was yet another phenomenal year for Sandhar wherein we saw a growth of 20.01% in revenue to ₹2,335.82 crore, declaring a dividend of ₹2.50 per share. We started our journey with just a few specific products centered around OEM in the two-wheeler segment. Over the years, we have expanded and diversified our offering across various auto components including commercial vehicles and off-highway vehicles.

Through our OEM-centric business model we aim at changing the industry standards and preference of consumers by providing innovative product offerings. To capitalize the growing opportunities and diversify our revenue stream, we launched many new products in 2018-19 including helmets, fuel pumps, oil filters, starter motors and electric vehicle (EV) components. Our endevour for every segment we enter has been to emerge as a leader of the segment. In order to achieve the same, we entered into strategic partnerships and joint ventures that provide us with technological competencies that we leverage to drive competencies and market leadership.

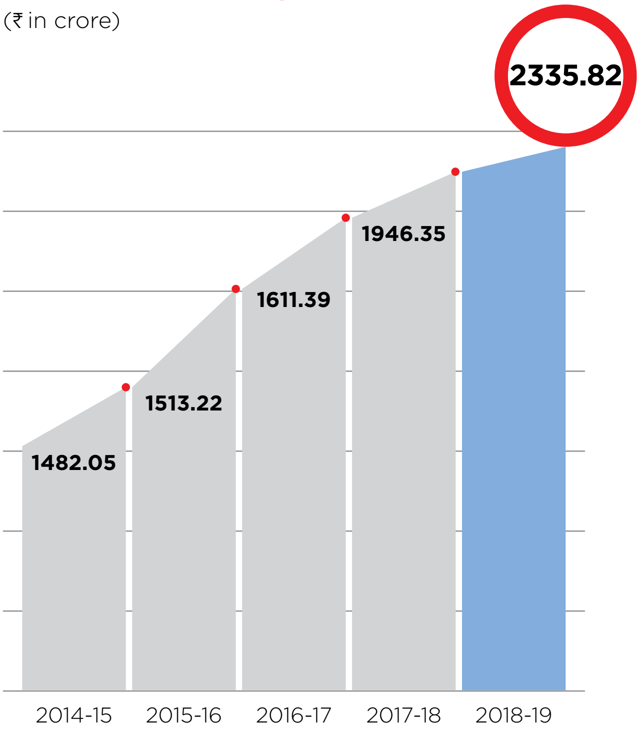
Going forward, we will continue to expand our product offering with a focus on safety and security systems for automobiles, with thrust on electronic and connected technologies. We will continue to tap business opportunities that are coming our way on account of new global megatrends like electric mobility, autonomous driving, shared mobility and connected vehicles. Through our values that balance both business and environmental aspects, we are constantly working to ensure that our activities, and the results we achieve, can deliver long-term value for our shareholders and the society as a whole.

**D. N. Davar**
Chairman

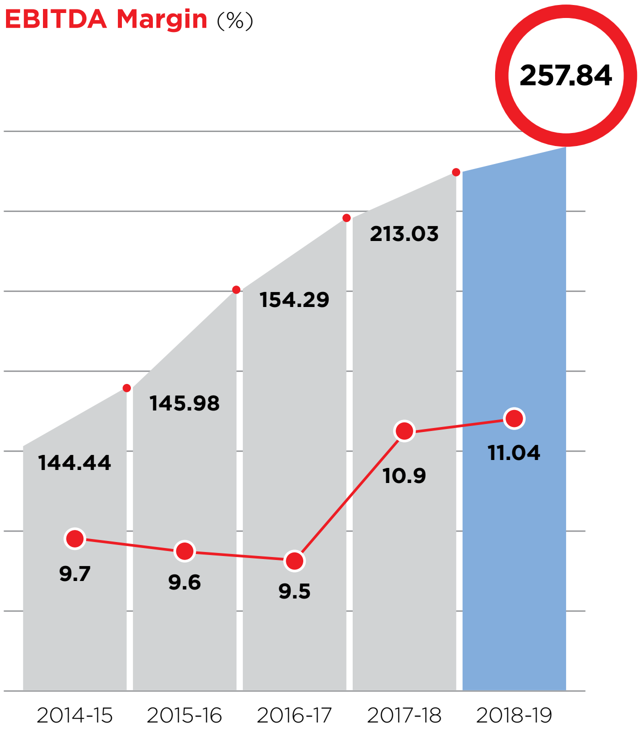


# DELIVERING PERFORMANCE

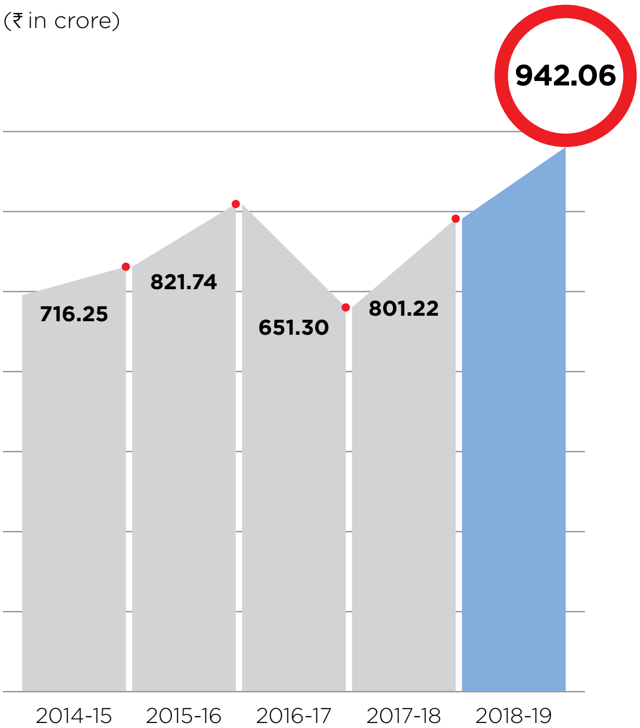
## Net Revenue from Operations
(₹ in crore)



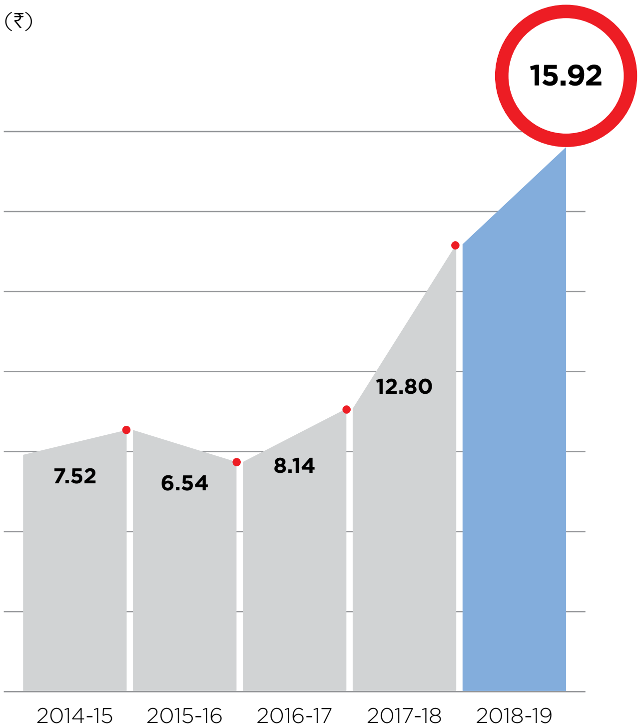

## EBITDA (₹ in crore)
## EBITDA Margin (%)



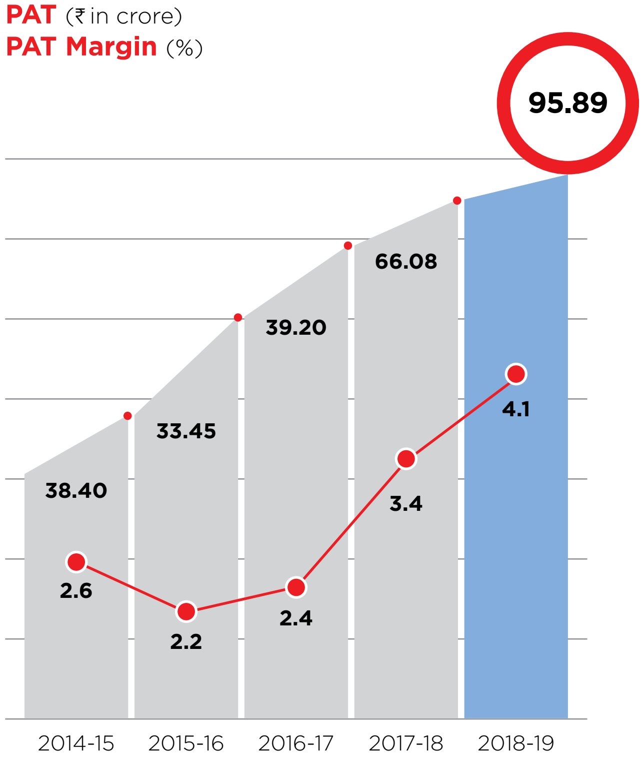

## Gross Block
(₹ in crore)

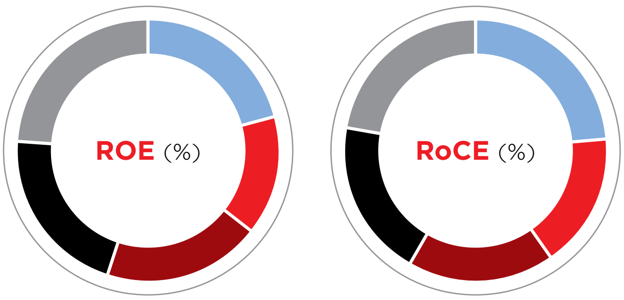



## EPS
(₹)



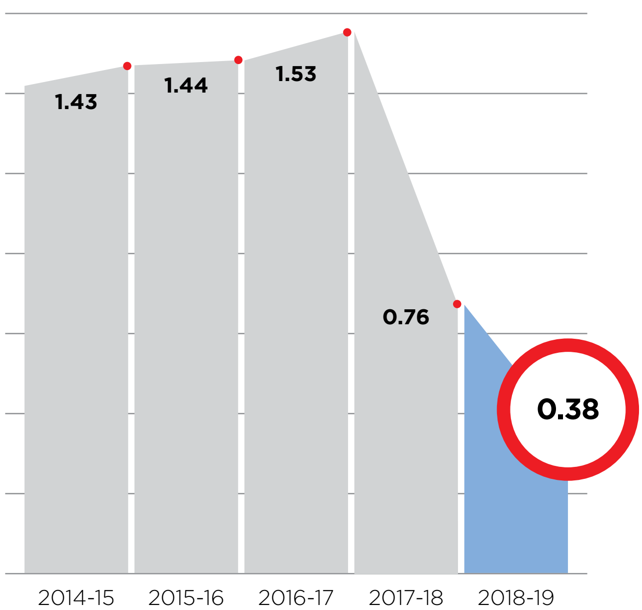
**PAT** (₹ in crore)
**PAT Margin** (%)



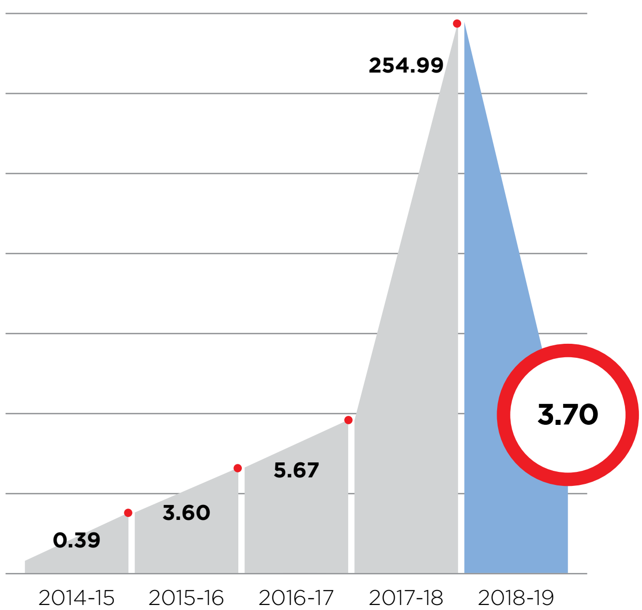




| | ROE | RoCE |
|---|---|---|
| 2018-19 | 14 | 17 |
| 2017-18 | 10 | 12 |
| 2016-17 | 13 | 13 |
| 2015-16 | 14 | 14 |
| 2014-15 | 16 | 16 |

**Debt to Equity Ratio**
(in times)




**Cash and Cash equivalent**
(₹ in crore)



# OUR VALUE CREATION MODEL

## Inputs

**Financial Capital**

The funds used for growth and expansion of the company

- ₹**60.19** crore equity share capital invested by the shareholders
- Debt funding of ₹**274.80** crore
- Cash generated from operations after tax amounting to ₹**126.08** crore

**Manufacturing Capital**

Assets used by the company to carry out its operations

- ₹**134.82** crore additionally invested in Property, plant and equipment and investments
- **35 State-of-art** production facilities

**Human Capital**

A skilled, diverse and motivated work force

- **7892** total strength of employees (Standalone)
- **Training programs** conducted

**Intellectual Capital**

Intangible assets, such as goodwill and industry experience, used for growth and expansion of the company

- Introduction of innovative **new products** every year
- Innovation and **Research and Development** centres
- Certifications for quality and technology
- **3** new patents filled

**Social and Relationship Capital**

Strong relationships with various stakeholders including customers, suppliers, employees, investors and community

- ₹**1.97** crore spent in CSR initiatives
- Regular stakeholder engagement activities
- Joint venture and collaboration with **technology providers and suppliers**

**Natural Capital**

Use of renewable, non-renewable and conventional source of energy for smooth functioning of the company

Electricity* Water

*17% of the electricity generated through solar power

## Purpose and Core values

### VISION

To be the Most Preferred Choice of Global Stakeholders.

### MISSION

To be the leading player in Global Markets with fully satisfied Stakeholder, maintaining cost effectiveness through innovative technology and optimum utilization of talent and resources

### VALUES

- **S** Spirit of Accomplishment
- **A** Appropriate Attitude
- **N** Never Dying Passion for Excellence
- **D** Dynamic
- **H** Honest
- **A** Accountable
- **R** Reliable

### CORE STRENGTHS

- Diversifed product portfolio
- Long-standing relationships with major OEMs in the country
- Experienced management team
- Production facilities in proximity to customers
- In-house research and development facility backed with strong technical collaboration

## Impact & Outcomes

EBITDA earned during the year **₹257.84** crore (FY 2018: ₹**213.03** crore)

Annual Dividend of **₹2.50** per share (FY 2018: ₹**2** per share)

Total shareholder return of **14%**

Repayment of Debt **₹254.46** crore and

Finance Cost **₹23.95** crore

Gender mix
**21 : 1**

Age mix
**51%** ≤ 35 Years
**49%** ≥ 35 Years

Employee turnover ratio **13.81%**

**₹1,596.26** crore market capitalization as on 31st March 2019

**17** patents/ copyrights as on 31st March 2019

**Largest** manufacturer in key auto component parts

Credit ratings Bank Loan **AA- (stable)** Commercial paper **A1+**

More than **three decades** of relationship with the vendors

**Loyal** and **satisfied** clientele

Reduction in **power** consumption

Optimum utilization of finite **resources**

Reduction in **carbon** footprint

## Our Stakeholders

- **Customers**
- **Employees**
- **Governments and Regulators**
- **Shareholders**
- **Communities**
- **Suppliers**
- **Technical Partners**

# OUR GROWTH STORY

## BUSINESS OPPORTUNITIES HAVE BEEN ARISING FOR SANDHAR FROM GLOBAL MEGA TRENDS THAT ARE ENABLING US TO GROW BIGGER AND BETTER.

We have been leveraging over three decades of expertise in adopting and implementing strategies that enables us to capture the growing opportunities and create value for our business and stakeholders. Through our core competencies, we try to be global leaders, in terms of volume, in whichever segment we enter.

### Business Opportunities for Sandhar

**Meeting the demand arising...**

Demography

Increase in consumers and capital goods consumption

Globalization

Increasing resources and energy consumption

Digitization

A shift towards digitization

Electronic Vehicles

Increasing demand for electric consumption goods

**...in a responsible manner.**

Climate Change

Reduced $CO_2$ emission, use of renewable energies

Finite Resources

Efficient resource and energy consumption

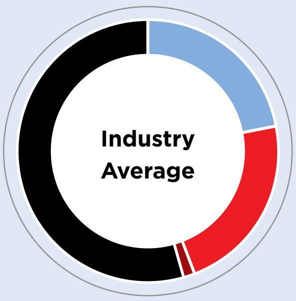
Regulatory and political

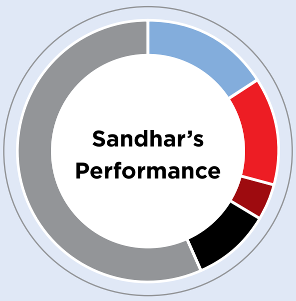
Compliant product and services

Increasing connectivity

Intelligent products and holistic solutions

### Key Performance Indicator




| | Industry Average | Sandhar's Performance |
|---|---|---|
| Overall growth | 6.5% | 20.0% |
| Two & Three wheelers | 6.6% | 16.5% |
| Passenger Vehicles | 0.4% | 5.6% |
| Commercial Vehicle | 16.1% | 12.2% |
| Off-highway Vehicles | - | 70.4% |

## Strategies Adopted

### Invest in emerging trends

Through our joint ventures and collaborations we invest in research and development activities to know the emerging market demands and new technologies to gain an edge over peers.

**40**

Employees working in innovation and development centre

### Build scale

On the basis of customer demand, we scale up our operations either by opening a new manufacturing facility or increasing the capacity of the existing one.

### Product portfolio

Our primary focus has been on safety and security systems for automobiles across segments. Hence, we keep adding new and improved products in the category to cater the diverse needs our customers.

**23**

No. of Product Categories

### Consumers

Along with expanding our product pipeline, we strive to increase our customer base by adding new customers as well as strengthen our relationship with existing ones in order to increase our revenue.

**80**

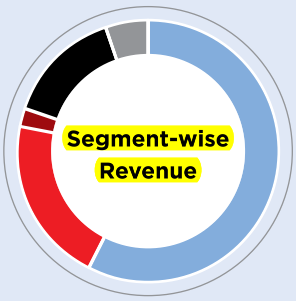
No. of OEMs we cater

### Value created

We create value through proactive price management, innovation, and economies of scale. This enables us sustain our business and invest in future expansion projects.

**13%**

5-year CAGR growth of Revenue from operations




| | (in %) |
|---|---|
| 2&3 wheelers | 57.6 |
| PVs | 20.7 |
| CVs | 2.0 |
| OHVs | 14.5 |
| Others | 5.2 |

# OUR DIVERSIFIED PRODUCT OFFERING

**WE, AT SANDHAR, ARE COMMITTED TO CREATE VALUES THROUGH OUR PRODUCT OFFERINGS THAT REFLECT INNOVATION AND EXCEEDS CUSTOMER'S EXPECTATIONS. WE INVEST INTO PRODUCT CATEGORY THAT HAVE GROWTH POTENTIAL AND MEETS THE GROWING NEEDS OF OUR CUSTOMERS. OUR PRODUCTS CATERS TO ANCILLARY CATEGORIES AND VEHICLE SEGMENTS WITH PRIMARY FOCUS ON SAFETY AND SECURITY SYSTEM.**


| | (in %) |
|---|---|
| Locking systems | 20.6 |
| Vision systems | 9.6 |
| Wheel assembly | 10.2 |
| Sheet metal components | 11.3 |
| Aluminium die casting components | 16.6 |
| Cabin and fabrication | 13.4 |
| Plastic parts | 2.2 |
| Handle Bar Assembly | 7.3 |
| Others | 8.8 |

# OUR DIVERSIFIED PRODUCT OFFERING

## Existing Products

### AUTOMOTIVE DIVISION

Through our technological competencies, we manufacture and supply various high-quality and reliable auto component parts for our customers across globe.

**Products offered**

- Locking systems
- Vision systems
- Auto relays
- Switches
- Hinges
- Latches for OEMs in two-wheelers and four-wheelers
- Door Handles for four-wheelers OEM



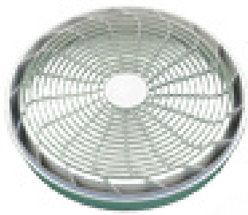

### COMPONENTS DIVISION

As a part of strategy of being self-dependent, through this division we meet the internal requirement of key materials and processes required for products manufactured at our automotive division.

**Products offered**

- Aluminium die casting components
- Spools
- Spindles
- Sprockets
- Plastic injection moulding
- Sheet metal components



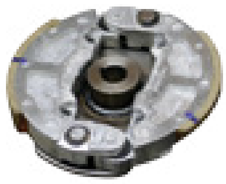



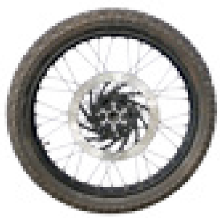
## AUTOMACH DIVISION

As one of the top companies in the two-wheeler steel wheels market of India, with our state-of-the-art manufacturing technologies and process for wheel forming, tri-nickel chrome plating, and assembly machines.

**Products offered**

- Wheel rims
- Wheel assemblies
- Handle bars
- Clutch
- Brake
- Panels
- Fender Assemblies






## CABINS AND FABRICATION DIVISION

For off-highway vehicle segment, we offer a diverse range of products that are high quality and cost effective consisting of precision steel metal components used in wheel loaders, cranes, tractors, hoe loaders, and excavators.

**Products offered**

- Operator Cabins
- Canopies
- Housings
- Panels
- Switchboards
- Control Cabinets




# PROFILE OF BOARD OF DIRECTORS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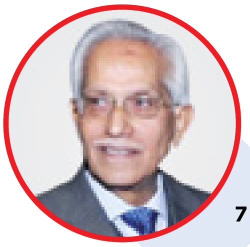
2


3


4


5


6


7


8


9


10

1

**Dharmendar Nath Davar** is the Chairman and Non-Executive, Non-Independent Director of our Company. A distinguished professional development banker with innate expertise in corporate management, has the degree of B.Com (Hons.), M.A. (Economics), Certified Associate of the Indian Institute of Bankers, and is a Fellow of the Economic Development Institute of the World Bank. After serving the Punjab National Bank (PNB) in senior management position(s) upto 1968, he joined Industrial Financial Corporation of India (IFCI), a well-known national level premier financial institution, and retired on completion of two terms spreading over eight years as its Executive Chairman in 1992. He had also been on the Boards and Executive Committees of IDBI and IRBI for nearly 8 years and also on the Board of LIC Housing Finance Co. He had been, for several years, a part time Consultant to the World Bank, UNIDO and KFW. Presently he is on the Boards of several reputed companies, training institutions and nongovernmental (social) organizations.

2

**Jayant Davar** is the Co-chairman and Managing Director of our Company. He is the founding Director, and is the Promoter of our Company. He holds a bachelors' degree in mechanical engineering from the Punjab University, Patiala, and has successfully completed the owner / president management programme from the Harvard Business School. He was the chairman of the Confederation of Indian Industries, Northern Region, and has been the president of the Auto Component Manufacturers Association in the past. He has three decades of experience in the auto components sector. He was awarded the distinguished alumnus during the year 2009 from Thapar University, Patiala.

3

**Monica Davar** is a Non-Independent, Non-Executive Director of our Company. She was first appointed as a Director in 1987. She completed her pre-university studies in the commerce stream. She has over 21 years of experience in the auto components sector*.

4

**Arvind Joshi** is the Whole-time Director of our Company. He was appointed as a Director on May 31, 2013. He was first appointed as the CFO and Company Secretary on December 4, 2006. He holds a bachelors' degree in science from the University of Calcutta, a bachelors' degree in law from the University of Delhi, and is an Associate Member of the Institute of Chartered Accountants of India, as well as the Institute of Company Secretaries of India. He has over 26 years of experience in managing corporate finance, legal, and commercial functions across diverse businesses and companies in India and overseas.

5

**Mohan Lal Bhagat** is an Independent Director of our Company. He was first appointed as an Independent Director of our Company on February 2, 1993. He holds a bachelors' degree in commerce from the University of Calcutta. He has over 41 years of experience in the areas of financial and management consultancy.

6

**Ravinder Nagpal** is an Independent Director of our Company. He was appointed as an Independent Director of our Company in the year 2001. He is a practicing chartered accountant since 1980, certified by the ICAI. He has been a member of the Panel of Chartered Accountants for the Office of the Official Liquidator, Delhi. He has 33 years of experience in the areas of corporate restructuring and mergers and acquisition, due diligence, tax planning, and strategic advisory.

7

**Krishan Lal Chugh** is an Independent Director of our Company. He was appointed as an Independent Director of our Company on March 14, 2003. He has a bachelors' degree in mechanical engineering from Delhi College of Engineering*. He is the Chairman Emeritus of ITC Group*, and has been a past member of the Board of Governors, Administrative Staff College of India, Hyderabad*. This apart, he has also been the past president of the All India Management Association*, the alternate president of the Associated Chambers of Commerce and Industry of India*, and the former director of the Central Board of Reserve Bank of India. He has over five decades in the areas of heavy industries, fast-moving consumer durables, and paper industries*.

8

**Arvind Kapur** is an Independent Director of our Company. He was first appointed as an Independent Director of our Company on October 1, 2005. He holds a bachelors' degree in science from the University of Delhi, and has completed a president management programme from Harvard Business School. He was the erstwhile president of the Automotive Component Manufacturers Association, as well as the erstwhile chairman of CII – Haryana State Council, Northern Region. He is the managing director of RICO Auto Industries Limited, and has 36 years in the area of manufacturing of auto components.

9

**Archana Capoor** is an Independent Director of our Company. She was first appointed as an Independent Director of our Company on 05th November, 2018. She holds a masters' degree in Business Administration with specialization in Finance and Market Research, University of Allahabad, UP (India). She has a versatile profile in different sectors such as Tourism, Banking & Finance and Social. This apart she is an Independent Board Director/ member of 6 listed Companies and 3 Private Companies since 2014 also a member secretary and project director of an NGO, India Trust or Rural heritage and culture (ITRHD). She has over 34 years of work experience in Finance, Legal & International Business.

10

**Arjun Sharma** is an Independent Director of our Company. He was appointed as an Independent Director of our Company on May 24, 2016. He holds a bachelors' degree in commerce from University of Delhi. He is the chairman of Select Group, a business house that has diversified interests in retail industries, real estates, travel and tourism, hospitality, and private equity.

# CORPORATE SOCIAL RESPONSIBILITY

**AT SANDHAR, WE ARE COMMITTED TO FUNCTION IN A RESPONSIBLE MANNER THROUGH SUSTAINABLE BUSINESS PRACTISES, CONSTANTLY CARING FOR THE COMMUNITIES AND MARKETS WHERE WE LIVE AND OPERATE OUR BUSINESS.**

## Our focus areas

- **Promoting Gender Equality and Empowerment of Women**
- **Promoting Rural Sports**
- **Environment Protection**
- **Healthcare**
- **Education**



# CORPORATE INFORMATION

## Board of Directors

**Shri Dharmendar Nath Davar**
Chairman & Non-Executive Director

**Shri Jayant Davar**
Co-Chairman & Managing Director

**Smt. Monica Davar**
Non-Executive Director

**Shri Arvind Joshi**
Whole-Time Director,
Chief Financial Officer &
Company Secretary

**Shri Arjun Sharma**
Independent Director

**Shri Arvind Kapur**
Independent Director

**Shri Ravinder Nagpal**
Independent Director

**Shri Krishan Lal Chugh**
Independent Director

**Shri Mohan Lal Bhagat**
Independent Director

**Smt. Archana Capoor**
Independent Director

## Audit Committee

**Shri Ravinder Nagpal**
Chairman

**Shri Arvind Kapur**
Member

**Smt. Archana Capoor**
Member

## Nomination & Remuneration Committee

**Shri Krishan Lal Chugh**
Chairman

**Shri Arjun Sharma**
Member

**Shri Ravinder Nagpal**
Member

## Stakeholder Relationship Committee

**Shri Arjun Sharma**
Chairman

**Shri Arvind Kapur**
Member

**Shri Arvind Joshi**
Member

## Corporate Social Resposibility Committee

**Shri Jayant Davar**
Chairman

**Shri Arvind Kapur**
Member

**Shri Arvind Joshi**
Member

## Finance Committee

**Shri Dharmendar Nath Davar**
Chairman

**Shri Jayant Davar**
Member

**Shri Arvind Joshi**
Member

## Compliance Officer

Shri Arvind Joshi
Plot No. 13, Sector 44,
Gurgaon – 122001, Haryana - India
Tel No: 0124-4518900
Fax No: 0124-4518912
Email: investors@sandhar.in

## Corporate Identity Number (CIN)

L74999DL1987PLC029553

## Share Transfer & Allotment Committe

**Shri Jayant Davar**
Chairman

**Smt. Archana Capoor**
Member

**Shri Arvind Joshi**
Member

## Bankers

State Bank of India
Citi Bank N.A.
Yes Bank Limited
HDFC Bank Limited
DBS Bank Limited

## Registered Office

B-6/20 L.S.C. Safdarjung Enclave,
New Delhi-110029
E-mail: Info@sandhar.in

## Corporate Office

Plot No 13, Sector 44
Gurgaon – 122002
E-mail: Info@sandhar.in

## Registrar & Share Transfer Agent

M/s Link Intime India Private Limited
C-101, 1st floor 247 Park
L B S Marg, Vikhroli (West)
Mumbai 400 083
Tel: +91 22 4918 6270
Fax: +91 22 4918 6060
E-mail: mumbai@linkintime.co.in
Investor Grievance e-mail:
rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

# DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your Company take pleasure in presenting the 27th Annual Report on the business and operations of the Company together with financial statements for the financial year ended 31st March, 2019.

## Operations - Financials

The summarised standalone and consolidated financial results of the Company for the financial year ended 31st March, 2019 as compared to the previous year are as under:

(₹ in Lakhs)

| Corresponding figures for the previous year have been regrouped / recast wherever necessary to correspond to current year / year Classification | Standalone Financial Year | | Consolidated Financial Year | |
|---|---|---|---|---|
| | 2018-19 | 2017-18 | 2018-19 | 2017-18 |
| **Revenue and other Income (Net of Excise/GST)** | **204,326.80** | **168,861.21** | **234,219.41** | **195,109.25** |
| **EBITDA as per financial statement** | **22,760.82** | **19,092.39** | **25,784.23** | **21,303.29** |
| **Less:** Financial Expenses | (1,745.91) | (3,811.87) | (2,394.62) | (4,317.43) |
| **Profit before Exceptional Items, Depreciation & Tax** | **21,014.91** | **15,280.52** | **23,389.61** | **16,985.86** |
| **Less:** Depreciation | (6,669.80) | (5,512.79) | (8,088.12) | (6,752.10) |
| **Profit Before Exceptional Items and Tax Provisions** | **14,345.11** | **9,767.73** | **15,301.49** | **10,233.76** |
| **Less:** Share in loss of jointly controlled entity | - | - | (685.94) | (531.62) |
| **Less:** Exceptional Items | (148.05) | - | (74.08) | - |
| **Less:** Tax Provisions | (4,664.36) | (2,995.08) | (4,956.23) | (3,140.21) |
| **Net Profit After Tax Provisions** | **9,532.70** | **6,772.65** | **9,585.24** | **6,561.93** |
| **Add: Other Comprehensive Income/Expense** | **(65.11)** | **(57.58)** | **3.53** | **46.45** |
| **Less: Profit attributable to Non-controlling interest** | **-** | **-** | **(67.70)** | **(60.33)** |
| **Less: Appropriations:** | | | | |
| Dividend | (752.38) | (1,534.64) | (778.62) | (1,540.70) |
| Corporate Tax on Dividend Distribution | (144.80) | (309.98) | (144.80) | (309.98) |
| **Balance carried forward in Balance Sheet** | **8,570.41** | **4,870.45** | **8,597.65** | **4697.37** |

The automotive sector, including the auto components manufacturers, witnessed one of the most volatile period in the recent history on account of several macro-economic factors as well as lack of consumer demand. The fiscal 2019 ended with modest growth trajectory with the second half registering a lower rate of growth than the first half for the first time post demonetisation. While, commercial vehicles (CV) segments surged impressively by 17.55% and two wheelers registered modest growth of 6.86%, it was the passenger vehicles segment which faced the headwinds and registered a nominal growth of 2.70%. Within the Two Wheelers segment, after successive double digit growth for several quarters, Scooters saw a decline by (-) 0.27 percent, whereas Motorcycles and Mopeds grew by 7.76 percent and 2.41 percent respectively in Fiscal 2019 over Fiscal 2018. Additionally, the high base of last year impacted the volume growth. Robust growth in the CV segment was mainly driven by the demand in H1 due to new infrastructure projects and fleet replacement. But for the implementation of revised axle norms and tightened liquidity, this segment would have seen a much higher growth.

In the case of the Company, the Consolidated Revenue from Operations & Other Income stood at ₹234,219.41 Lakhs vis-a-vis ₹198,886.15 Lakhs in the previous year, following concerted efforts at business promotion and controls aimed at cost economies. The aforesaid Revenue numbers of the fiscal under review, are not comparable with the previous year, as they are computed in accordance with IND-AS 115 which requires netting of the Goods & Service Tax whereas Excise Duty form part of the Expenses in the previous year upto 30th June, 2017 prior to the date of GST implementation. Besides the turnover level as aforesaid, EBITDA also registered good growth of 21.03% at Consolidated level clocking ₹25,784.23 Lakhs vis-à-vis ₹21,303.29 Lakhs in the previous year, along with other operating parameters. At standalone level, the growth registered was 19.21% as compared to previous year.

The Profit before Depreciation, Exceptional Items and Tax at Consolidated level was 37.70% higher at ₹23,389.61 Lakhs in the fiscal year under review, as against ₹16,985.86 Lakhs in the previous fiscal year; the Profit after tax was more profound and higher at ₹9,585.24 Lakhs as against ₹6,561.93 Lakhs in the previous fiscal, following exceptional items and lower finance costs, registering a growth of 46.07%. At the standalone level the Profit before Depreciation, Exceptional Items and Tax was 37.53% higher than the previous fiscal and stood at ₹21,014.91 Lakhs vis-à-vis ₹15,280.52 Lakhs. At the standalone level the Profit after tax for the fiscal under review stood at ₹9,532.70 Lakhs vis-à-vis ₹6,772.65 Lakhs, registering a remarkable growth of 40.75%. The lower percentage of growth at Consolidated level is on account of share in losses of jointly controlled entities which are at the startup stages.

Your Company did well in managing the cash flows well within the manageable limits with conservation strategies, which ensured no fresh long term borrowing was needed. Looking ahead, the challenges are one of business growth in current volatile scenario and that too with growing margins: the overall outlook for the current year appears moderate with a single digit growth on account of predictably better monsoons, demand growth driven by OEMs (including plans of localisation)/rement market, growth driven by regulatory changes and technological advancement as well as consumer preferences, the only foreseeable dampener being rise in commodity prices, crude oil prices, political instability, and dipped consumer sentiments. All possible steps are afoot to meet 'on the ground' challenges with focus on Research & Development, holding over deferrable capital expenditure, cutting down on operational expenses without sacrificing effectiveness and deliverable capability and, of all, ensuring efficacious management of cash flow. Corporate strategies are planned to focus on creating value on the one hand and managing risk and shaping up enterprise performance on the other.

## State of Company's Affairs

Discussion on state of affairs of the Company has been covered as part of the Management Discussion and Analysis (MDA). MDA for the year under review, as stipulated under Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, is presented in a separate section forming part of this Annual Report.

## Amount Transferred to Reserve

The Board of Directors has decided to retain the entire amount of profits in the profit and loss account.

## Dividend

The Board in its meeting held on 05th November, 2018, declared an interim dividend of ₹1.25 per equity share as per particulars below:

| S. No | Date of Declaration | Rate of Dividend | Amount (in ₹ Lakhs) (Excluding Dividend distribution tax) |
|---|---|---|---|
| 1. | 05th November, 2018 (Interim Dividend) | 12.5% | 752.38 |

Further, the Board in its Meeting held on 27th May, 2019 recommended a final dividend of ₹1.25 per equity share for the Financial Year ended on 31st March 2019, subject to the approval of shareholders at the ensuing Annual General Meeting of the Company.

## Consolidated Financial Statements

As per Regulation 33 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), applicable provisions of the Companies Act, 2013 ("Act") read with the rules issued thereunder and Indian Accounting Standard (AS)-110 on Consolidated Financial Statements, read with Ind AS-28 Investments in Associates and Joint Ventures, the Audited Consolidated Financial Statement for the FY ended 31st March, 2019 is provided in this Annual Report.

During the year, the Board of Directors reviewed the affairs of the subsidiaries in accordance with Section 129(3) of the Act. Consolidated financial statements together with the auditor's report form part of this annual report.

## Share Capital

The Authorised Share Capital of the Company is ₹7,000.00 Lakhs divided into 680.00 Lakhs Equity Shares of ₹10/- (Rupees Ten only) each and 2.00 Lakhs Preference shares of ₹100/- (Rupees Hundred only) each. The Paid up Capital of the Company is ₹6,019.07 Lakhs divided into 601.91 lakhs Equity Shares of ₹10/- each.

There was no public issue, rights issue, bonus issue or preferential issue, etc. during the year. The Company has not issued shares with differential voting rights, sweat equity shares, nor has it granted any stock options.

## Subsidiaries and Joint Ventures

During the year under review, three new Joint Venture namely Sandhar Whetron Electronics Private Limited, Sandhar Daeshin Auto Systems Private Limited and Kwangsung Sandhar Technologies Private Limited have been incorporated. As at 31st March, 2019, the Company had following Subsidiaries and Joint Ventures:

**Subsidiaries:**

1. Sandhar Tooling Pvt. Ltd.
2. Sandhar Strategic Systems Pvt. Ltd.
3. Sandhar Technologies Barcelona S.L., including step down subsidiaries at Mexico & Poland

**Joint Ventures:**

1. Sandhar Han sung Technologies Pvt. Ltd.
2. Indo Toolings Pvt. Ltd.
3. Sandhar ECCO Green Energy Pvt. Ltd.
4. Sandhar Daewha Automotive Systems Private Limited
5. Sandhar Amkin Industries Private Limited
6. Jinyoung Sandhar Mechatronics Private Limited
7. Sandhar Daeshin Auto Systems Private Limited (incorporated on 03rd May 2018)
8. Sandhar Whetron Electronics Private Limited (incorporated on 19th July 2018)
9. Kwangsung Sandhar Technologies Pvt. Ltd (incorporated on 06th February 2019)

Pursuant to the provisions of Section 129 (3) of the Companies Act, 2013, a statement containing the salient features of the financials statements of all the Joint Ventures/ Subsidiaries in form AOC-1 is annexed hereto as **Annexure-I** and, hence, not repeated here for the sake of brevity.

A copy of the audited financial statements of each of the subsidiary companies and English translation thereof will be kept for inspection by any Member of the Company at its Corporate Office during business hours. Further, pursuant to the provisions of Section 136 of the Companies Act, 2013, these financial statements are also placed on the Company's website www.sandhargroup.com. Copy of these financial statements shall be made available to any Member of the Company, on request.

Details of subsidiaries of the Company and their performance are covered in Management Discussion and Analysis Report forming part of the Annual Report.

## Capex and Liquidity

During the fiscal Company spent 11,778.40 lakhs on Capex and Investments in Joint Ventures at standalone level. Despite this significant spent, the Company was able to keep the gross debt level stable during the year.

Cash and Cash Equivalents at the Consolidated level as at 31st March, 2019 was ₹370.33 Lakhs vis-à-vis ₹25,499.01 Lakhs in the previous fiscal.

**Fixed Deposits**

The Company has not accepted any deposits, thus far, within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

**Particulars of Loans, Guarantees and Investments**

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

## Related Party Transaction

Following the provisions of Section 188(1) of the Companies Act, 2013, all Related Party contracts / arrangements / transactions entered by the Company during the financial year had been in the ordinary course of business and on arm's length basis, with Audit Committee having a domain role: the Board of Directors brought into picture, wherever necessary and/or obligatory. Therefore the provision of Section 188 of the Companies Act, 2013 were not attracted. There are no materially significant Related Party Transaction during the year under review made by the Company with Promoters, Directors or other designated person which may have a potential conflict with the interest of the Company at large. Thus, disclosure in Form AOC-2 is not required. Pertinent, in this context, is to say that, during the year, the Company has not entered into any contract / arrangement / transaction with related parties, which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

During the year, the Company has amended the Policy on materiality of related party transactions and dealing with related party transactions in line with the requirements of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018. The key change include, inter-alia, threshold limits for determining materiality. The amended policy is available on our website at www.sandhargroup.com

Related party transactions were disclosed to the Board on regular basis. Details of related party transactions may be referred to in Note 31 of the Standalone Financial Statements.

## Material Changes and Commitments

There have been no significant or material changes in the operations, commitments and governance aspects, following the provisions of Companies Act '2013 and Rules made thereunder.

## Notable Initiatives During the Year

**Technical Collaborations / Joint Ventures:**

The Company had signed Joint Venture Agreements with foreign collaborators as below:

- **With Daeshin Machinery Ind. Co. Ltd., South Korea:** Company signed a 50:50 joint venture with Daeshin Machinery Ind. Co. Ltd, South Korea. A JV Company viz. Sandhar Daeshin Auto Systems Private Limited was incorporated under the Companies Act, 2013, on May 03, 2018 in Gurugram, Haryana. The main object of this joint venture company is manufacturing and sale of gear shifters (auto/manual), parking brakes for four wheelers, in India and abroad.

- **With Whetron Electronics Co. Ltd. Taiwan:** Company signed a 50:50 joint venture with Whetron Electronics Co., Ltd., Taiwan. Sandhar Whetron Electronics Private Limited was incorporated under the Companies Act, 2013, on July 19, 2018 in Gurugram, Haryana. This joint venture company would primarily engaged in manufacturing and sale of electronic parts and accessories for automobiles segment like Rear Parking Sensors, Auto Parking, Cameras, Around View Camera, Driver Monitoring System, Blind Spot Detection, Door Open Alert, Lane Departure Alert, DVRs, Radars to the Indian vehicle OEMs.

- **With Kwangsung Corporation Limited, South Korea:** Company signed a joint venture agreement with Kwangsung Corporation Limited, South Korea. Kwangsung Sandhar Technologies Pvt Ltd. was incorporated under the Companies Act, 2013 on Feb 06, 2019 in Gurugram, Haryana. The main object of this joint venture company is manufacturing and selling, inter-alia, interior and exterior parts plastic moulded parts and accessories for the passenger and utility vehicles segment which would include Sunvisor, Cargo Screen, Black-Out Tape, Glove Box & several other Blow-moulded products in a phased wise manner

  The Company had also signed a notable Memorandum of Understanding ("MOU") during the Financial Year 2018-19:

| S. No | Name of the Strategic Partner | Country | Contract Products | Nature of Agreement | Date of Agreement |
|---|---|---|---|---|---|
| 1. | Winnercom Company Limited. | South Korea | Shark Finn Antenna, Micro Pole Antenna | MOU | 24th January 2019 |

Diversification in product range and continuing product development would add strength and vibrancy, on its way forward, to the Company's operations.

**In-house R & D Division:**

Added to the aforesaid, is the real-time emphasis on Research and Development, wherefore a dedicated organizational wing, with requisite Government approvals in place, is in operation. The programs for innovations, as chartered out and time lines set therefore, are closely monitored for their proceeding apace.

## Information Technology

The Company continues to take full advantage of Information Technology, leveraging it as a source of competitive advantage. As in earlier years, the enterprise wide Oracle ERP platform forms the backbone of IT and encompasses all core business processes in the Company and also provides a comprehensive data warehouse with analytics capability that helps in better and speedier decisions.

Multiple new initiatives have been taken, to ensure that the investments in creation, maintenance and upgradation of IT Infrastructure is kept at optimal level and relevant new technologies are adopted to facilitate risk mitigation, ensuring business continuity, achieve scalability in operations and ensuring that data security and privacy are not compromised.

Company has embarked on an ambitious upgradation on Cloud based **Oracle Fusion** technology platform, which is a complete, end-to-end solution for digital expense management giving employees easy data entry options, and financial managers detailed spend information and policy-driven control.

## Corporate Governance

Corporate governance is an ethically driven business process that is committed to values and aimed at enhancing an organization's brand and reputation. This is ensured by taking ethical business decisions and conducting business with firm commitment to values, while meeting stakeholders' expectations. Further corporate governance is based on the principles of conducting the business with all integrity, fairness and being transparent with all the transactions, making the necessary disclosures and decisions, complying with the laws of the land, accountability and responsibility towards the stakeholders and commitment of conducting the business in an ethical manner. At Sandhar, it is ensured that Company's affairs are managed in a fair and transparent manner. This is vital to continue to gain and retain the trust of its stakeholders.

A separate section on Corporate Governance standards followed by your Company and the relevant disclosures, as stipulated under the Listing Regulations, Companies Act, 2013 and Rules made thereunder, forms part of this Annual Report.

A Certificate from M/s K.K. Sachdeva & Associates, Practising Company Secretary, confirming the compliance by the Company to the conditions of Corporate Governance as stipulated under the Listing Regulations, is annexed to the Report on Corporate Governance, which forms part of this Annual Report.

## Directors & Key Managerial Personnel

The Company's policy is to maintain an optimum combination of Executive and Non-Executive Directors on the Board. The composition of the Board is as follows:

| | |
|---|---|
| Managing Director | Shri Jayant Davar |
| Non-Executive Directors | Shri Dharmendar Nath Davar |
| | Smt Monica Davar |
| Non-Executive Independent Directors | Shri Arvind Kapur |
| | Shri Ravinder Nagpal |
| | Shri Krishan Lal Chugh |
| | Shri Mohan Lal Bhagat |
| | Shri Arjun Sharma |
| | Shri Gaurav Dalmia (resigned w.e.f. 11th December, 2018) |
| | Smt Archana Capoor (w.e.f. 05th November, 2018) |
| Executive Director | Shri Arvind Joshi |

All the Non – executive Independent Directors are not disqualified to be appointed as such under the relevant provisions of the Companies Act, 2013 and the rules made thereunder and shall not be subject for determination by retirement of Directors by rotation. Under the provisions of Section 149, 150, 152, 160 of the Companies Act '2013 be not liable, having been appointed for 5 years, to determination by retirement of Directors by rotation.

**Reappointment of Shri Krishan Lal Chugh, Shri Arvind Kapur, Shri Mohan Lal Bhagat and Shri Ravinder Nagpal as Independent Directors**

Based on the commendations of Nomination and Remuneration Committee, Shri Krishan Lal Chugh, Shri Arvind Kapur, Shri Mohan

Lal Bhagat and Shri Ravinder Nagpal were reappointed as Independent Directors for a second term of five years effective 04th July, 2019 to 03rd July, 2024. The Board is of the opinion that the skills and knowledge of Shri Krishan Lal Chugh, Shri Arvind Kapur, Shri Mohan Lal Bhagat and Shri Ravinder Nagpal would be of immense help to the business interests of the Company. Proposal for their re-appointment as Independent Directors is being placed before the shareholders for approval at the ensuing Annual General Meeting.

**Resignation of Shri Gaurav Dalmia**

During the year under review, Shri Gaurav Dalmia, resigned from directorship of the Company on the 11th December, 2018 due to unavoidable circumstances.

**Appointment of Smt Archana Capoor, Additional Non-Executive and Independent Director of the Company**

During the year under review, in terms of section 149, 150 & 152 of the Companies Act, 2013, the Board of Directors at its meeting held on the 05th November, 2018 appointed Smt Archana Capoor as additional, Non-Executive, Independent Director to hold office from 05th November, 2018 till the ensuing Annual General Meeting of the Company based on the commendation of the Nomination & Remuneration Committee and to hold office for a period of 5 (five) consecutive years thereafter, subject to approval of the shareholders.

**Brief Profile of Smt. Archana Capoor**

Smt Archana Capoor, aged about 61 years, holds a masters' degree in Business Administration with specialization in Finance and Market Research, University of Allahabad, UP (India). She has a versatile profile in different sectors such as Tourism, Banking & Finance and Social. This apart she is an Independent Board Director/member of 6 listed Companies and 3 Private Companies since 2014 also a member secretary and project director of an NGO, India Trust or Rural heritage and culture (ITRHD). She has over 34 years of work experience in Finance, Legal & International Business.

**Retirement of Directors by rotation**

In terms of Section 152 of the Act, Shri Dharmendar Nath Davar, Chairman and Smt. Monica Davar, Non-Executive Director, shall retire by rotation at the ensuing AGM and being eligible, have offered themselves for re-appointment. Information as required under Regulation 36(3) of the Listing Regulations is provided in the Notice of 27th AGM.

## Meetings of the Board

Regular meetings of the Board are held to discuss and decide on various business policies, strategies, financial matters and other businesses. The schedule of the Board/Committee meetings to be held in the forthcoming quarter is circulated to the Directors in advance to enable them to plan their schedule for effective participation in the meetings. Due to business exigencies, the Board has also been approving some proposals by circulation from time to time.

During the year under review, four Board Meetings were convened and held and the interim gap between the meetings was as per the period prescribed under the Companies Act, 2013.

| S. No | Date of Board Meeting | Board Strength | No. of Directors Present |
|---|---|---|---|
| 1. | 26th May, 2018 | 10 | 10 |
| 2. | 04th August, 2018 | 10 | 09 |
| 3. | 05th November, 2018 | 11 | 10 |
| 4. | 02nd February 2019 | 10 | 09 |

Additionally, several Committee meetings were held during the year including Audit Committee. The detailed information on the meetings of the Committees are included in the Report on Corporate Governance, which forms part of this Annual Report.

**Policy on Director's appointment and remuneration**

The current policy is to have an appropriate mix of executive and Independent Directors to maintain the independence of the Board, and separate its functions of governance and management. As on 31st March, 2019, the Board consists of ten members, two of whom are Executive or Whole-Time Directors, two are Non-Executive Directors including one woman Director and six are Independent Directors. The Board periodically evaluates the need for change in its composition and size.

The Policy of the Company on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Directors and other matters provided under Section 178 (3) of the Companies Act, 2013 is adopted by the Board. The remuneration paid to the Directors is as per the provisions of Companies Act, 2013 and the rules thereunder. **Annexure-IIA**, Policy for Selection of Directors and determining Director's Independence and Appointment and Remuneration Policies are annexed as **Annexure – IIB**.

**Declaration by Independent Directors**

The Company has received necessary declarations from each Independent Director as per the provisions of Section 149(7) of the Companies Act, 2013, that they meet the criteria of Independence as laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI (LODR) Regulations, 2015 ("the Listing Regulations")

**Directors' Remuneration Policy and Criteria for matters under Section 178**

As stipulated under Section 178 of the Act and based on the recommendation of the Nomination and Remuneration Committee, the Board has approved a Nomination and Remuneration Policy of the Company. The Policy documents the mechanism for appointment, cessation, evaluation and remuneration of the Directors, Key Managerial Personnel and Senior Management of the Company. Information on the Policy and details of the criteria for determining qualifications, positive attributes and other matters in terms of Section 178 of the Act are provided in the Corporate Governance Report.

**Information on Board Meeting Procedure and attendance during the Financial Year 2018-19**

The Board meetings of the Company are conducted as per the provisions of the Act, Listing Regulations and applicable Secretarial Standards. Information as mentioned in the Act and

Schedule II to the Listing Regulations and all other material information, as may be decided by the management, is placed for consideration of the Board. Details on the matters to be discussed along with relevant supporting documents, data and other information is also furnished in the form of detailed agenda to the Board and the Committees concerned, to enable directors take critical decisions and accordingly advise the management.

Details regarding information furnished to the Board members, number of Committee and Board meetings held during the year along with attendance record of each director has been disclosed in the Corporate Governance Report of the Company.

**Performance Evaluation of the Board**

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors, which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors. On the basis of the laid out Policy, a process of evaluation was followed by the Board for its own performance and that of its Committees and individual Directors including Chairman.

The Company is committed to benchmark itself with best practices and standards in all areas including Corporate Governance. To this end, the Board has the analytical and functional support of Committee of Directors, Audit Committee, Nomination & Remuneration Committee & Corporate Social Responsibility Committee. The system brings insight & effectiveness in to the designated areas of Corporate Governance.

**Committees of the Board**

Currently, the Board has Six Committees which have been established in compliance with the requirements of the business and relevant provisions of the applicable laws and statutes. These are:

1. Audit Committee,
2. Nomination and Remuneration Committee,
3. Corporate Social Responsibility Committee,
4. Stakeholders Relationship Committee
5. Share Transfer & Allotment Committee and
6. Finance Committee.

The details with respect to the composition, terms of reference, number of meetings held etc. of these Committees are given in the Report on Corporate Governance which forms part of this Annual Report.

**Corporate Social Responsibility (CSR) Committee**

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy), Rules, 2014, the Company has established Corporate Social Responsibility Committee ( the "CSR Committee") and statutory disclosures with respect to the CSR Committee and an annual report on CSR activities forms part of this Report as Annexure VI.

In this regard following the recommendation of the said Committee, the Board has approved the CSR policy, which is also available on the website of the Company i.e. www.sandhargroup.com.

The composition of the CSR Committee is covered under the Corporate Governance Report which forms the part of the Annual Report.

**Insider Trading Policy for prevention of insider trading and fair disclosure of Unpublished Price Sensitive Information**

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a "**Insider Trading Policy**" Further, the Company has also adopted a "Corporate Policy on Investor Relations"

The Company has amended the Insider Trading Policy and Corporate Policy on Investor Relations in line with the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018. This policy includes Policy for Determination of Legitimate Purposes and Policy for procedure of Inquiry in case of Leak of Unpublished Price Sensitive Information ("UPSI"). The Company has automated the declarations and disclosures to identified designated persons, and the Board reviews the policy on need basis. The amended policy is available on our website, at www.sandhargroup.com.

The **Insider Trading Policy** and **Corporate Policy on Investor Relations** are drawn up on the principle that the Company's directors and employees owe a fiduciary duty, amongst others, to the shareholders of the Company to place the interest of shareholders above their own and conduct their personal securities transactions in a manner that does not give rise to any conflict of interest. These codes lay down the mechanism for ensuring timely and adequate disclosure of Unpublished Price Sensitive Information ("UPSI") to the investor community by the Company to enable them take informed investment decisions with regard to its securities.

The Insider Trading Policy prescribes the procedure for trading in securities of the Company and the disclosures to be made by persons covered under the Insider Trading Policy with respect to their shareholding in the Company, both direct and indirect.

**Directors' Responsibility Statement**

Pursuant to the provisions of Section 134(5) your Directors state that:

1. In the preparation of annual accounts for the year ended 31st March, 2019, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed along with proper explanation relating to material departures;

2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the Profit of the Company for the year ended on that date;

3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and

4. The Directors have prepared the annual accounts on a going concern basis.

5. The Directors have laid down Internal Financial Controls to be followed by the Company have been laid down and that such internal financial controls are adequate and operating effectively.

6. The Directors have devised proper systems to ensure compliance with the provisions of all the applicable laws and that such Systems are adequate and operating effectively.

**Policies of the Company**

The Company is committed to high ethical standards in its business transactions guided by its value systems. The Listing Regulations mandate formulation of certain policies for listed companies. Accordingly, the Board of Directors has from time to time framed and approved policies as required by the Listing Regulations as well as under the Act. These policies are reviewed by the Board at periodic intervals.

Some of the key policies that have been adopted till date are as follows:

| S. No | Name of Policy |
|---|---|
| 1. | Code of Conduct Policy |
| 2. | Determination of Materiality and Dealing with Related Party Transactions |
| 3. | Remuneration Policy |
| 4. | Whistle Blower Policy |
| 5. | Independent Director Policy |
| 6. | Policy on Material Subsidiaries |
| 7. | Insider Trading Policy & Corporate Policy on Investor Relations |
| 8. | CSR Policy |
| 9. | Policy for preservation of Documents and Archival of Documents |
| 10. | Policy on familiarisation of Independent Directors |
| 11. | Policy for Determination of Materiality of Events |

The Polices are available on the Company's website on the link www.sandhargroup.com/ investor-relations/corporate governance.

**Business Risk Management**

Pursuant to Section 134 (3) (n) of the Companies Act, 2013 the Company may constitute a Business Risk Management Committee which shall be entrusted with the responsibility to assist the Board in:

- Formulating and implementing Risk Management Policy;
- Overseeing and approving the Company's enterprise wide risk management framework; and
- Overseeing that all the risks that the Company faces such as strategic, financial, credit, market, liquidity, property, IT, legal, regulatory, reputational, employee and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks.

At present the Company has not identified any element of risk which may perceptibly threaten the existence of the Company.

**Credit rating:**

During the year under review, ICRA Ltd, a credit rating agency registered with SEBI had improved the long term rating ICRA AA-/ stable from ICRA A+ and reaffirmed ICRA A1+ from ICRA A1 for short term rating. India Rating & Research, a credit rating agency registered with SEBI had improved the long term rating IND AA-/ stable from IND A+ and reaffirmed IND A1+ from IND A1 for short term rating.

## Familiarisation Programmes

With a view to familiarising the independent directors with the Company's operations, as required under regulation 25(7) of the SEBI Listing Regulations, 2015, the Company held familiarisation programmes for the independent directors on an ongoing and continuous basis. The details of such familiarisation programmes are placed on website www.sandhargroup.com/uploads/downloads/details-of-familiarization-programmes-for-independent-directors-1.pdf

**Vigil Mechanism / Whistle Blower Policy**

The Vigil Mechanism of the Company, which also incorporates a Whistle Blower Policy is in place. There has been no case to report for the year 2018-2019, no individual was denied access to the Audit Committee for reporting concerns, if any. The Whistle Blower Policy was amended in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 ("the insider trading regulations"), enabling employees to report any violations under the insider trading regulations and leak of Unpublished Price-Sensitive Information (UPSI). The amended policy is available on the Company's website at www.sandhargroup.com

**Disclosure under Sexual Harassment of Women at Work place (Prevention, Prohibition & Redressal) Act, 2013**

There has been no case during the year requiring to be reported during the year under review.

**Auditors**

M/s. BSR & Co. LLP, Chartered Accountants (Firm's Registration No. 101248W/W-00022), hold office up to the conclusion of the 30th AGM.

M/s. BSR & Co. LLP were appointed as Statutory Auditors of the Company from the conclusion of 25th AGM i.e. from 29th July, 2017. In terms of the proviso to Section 139(1) of the Act, the said appointment was subject to ratification by Members at every AGM held during the tenure of their appointment. The proviso to Section 139(1) of the Act has been omitted by the Companies (Amendment) Act, 2017 with effect from 7th May, 2018; accordingly, the requirement of ratifying appointment of statutory auditors at every annual general meeting, during their tenure of appointment, has been dispensed with.

The Auditors' Reports, including the one on Internal Financial Controls, does not carry any observation or infirmity in the Company's affairs.

**Secretarial Audit**

Pursuant to the provisions of the Companies Act, 2013, M/s. K.K. Sachdeva & Associates, a firm of Company Secretaries in Practice had been appointed to undertake the Secretarial Audit, whose Audit Report is annexed vide **Annexure – III**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

**Cost Audit**

The Board on the recommendation of Audit Committee approved the appointment of M/s. A.N. Satija & Co, Cost Auditors for conducting the audit of cost records of the Company for its business for the financial year 2019-2020.

**Secretarial Standards**

During the year under review, the Company has complied with the provisions of the applicable Secretarial Standards issued by Institute of Companies Secretaries of India. The Company has devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and such systems are adequate and operating effectively

**Internal Control Systems and Adequacy thereof**

The Company's internal control systems as laid down are commensurate with the nature of its business, the size and the complexity of its operations. These are tested and certified by Statutory as well as Internal Auditors and cover all factories and key areas of business. Significant audit observations and follow up action thereon are reported to the Audit Committee. The Audit Committee, as aforesaid, reviews adequacy and effectiveness of the Company's internal control environment including in-house Commercial Audit headed by a senior professional and monitors the implementation of audit recommendations, including those relating to strengthening and adequacy of the Company's Risk Management policies and systems.

**Extract of Annual Return**

In terms of Sections 92(3) and 134(3) (a) of the Act and Rules made there under, extract of the Annual Return in Form No. MGT-9 is annexed as **Annexure- IV** to this Report.

**Particulars of Employees and related disclosures**

Disclosure of remuneration and other details as required under Section 197(12) of the Act read with Rules 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed herewith as **Annexure V**.

A statement containing particulars of employees as required under Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided as separate annexure forming part of this Report. In terms of Section 136 of the Act, the Annual Report and financial statements are being sent to the Members excluding the aforesaid annexure. The said annexure is available for inspection at the registered office of the Company during business hours and will be made available to any shareholder on request.

**Conservation of Energy, Technology Absorption, Foreign Exchange Inflow and Outflow**

The information pertaining to conservation of Energy, Technology Absorption and Foreign Exchange Inflow and Outflow pursuant to Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 given in Annexure VII which forms a part of this Report.

**Personnel & Industrial Relations**

Cordial atmosphere across functional verticals / units contributed, as before, to the overall satisfactory performance of the Company. The Directors place on record their deep appreciation of the inspiring and motivating leadership provided by the Co-Chairman & Managing Director, ably supported by Whole-time Director, Chief Financial Officer & Company Secretary and the commendable team work done by the executives, staff and workers at all levels in various units at different locations.

**Acknowledgement**

Your Directors are grateful for the co-operation and guidance received from Citibank N.A, Yes Bank Limited, DBS Bank Limited, State Bank of India, and HDFC Bank Limited. The Board specially wishes to place on record their sincerest gratitude for the patronage it received from Hero MotoCorp Limited, Honda Cars India Limited, Honda Motorcycle and Scooters Limited, TVS Motor Company Limited, Eicher Motors and Tata Motors Limited.

**For and on behalf of the Board of Directors**
Sandhar Technologies Limited

**Jayant Davar**
Co-Chairman &
Managing Director
DIN: 00100801

**D. N. Davar**
Chairman
DIN: 0002008

Dated: 27 May 2019
Place: Gurgaon

# Annexure I to Director Report, 2019

## Form AOC-1

Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures
(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

## Part A Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Lakhs)

| S. No | Particulars | Details | Details | Details |
|---|---|---|---|---|
| 1. | Name of the subsidiary | **Sandhar Tooling Private Limited** | **Sandhar Technologies Barcelona, S.L.** | **Sandhar Strategic Systems Private Limited** |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2018 to 31st March, 2019 | 1 April, 2018 to 31st March, 2019 | 1 April, 2018 to 31st March, 2019 |
| 3. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | INR | INR | INR |
| 4. | Share capital | 600.00 | 2,143.37 | 1.00 |
| 5. | Reserve & Surplus | 954.81 | 1,622.95 | (0.56) |
| 6. | Total Assets | 2,253.59 | 29,804.92 | 0.54 |
| 7. | Total Liabilities | 698.78 | 26,038.60 | 0.10 |
| 8. | Investments | 854.86 | - | - |
| 9. | Turnover | 1,658.10 | 28,400.12 | - |
| 10. | Profit Before Taxation | 478.05 | 514.55 | (0.16) |
| 11. | Provision for taxation | 134.32 | 157.54 | - |
| 12. | Profit after taxation | 343.73 | 357.01 | (0.16) |
| 13. | Other comprehensive Income | (6.58) | 75.23 | - |
| 14. | Total Comprehensive Income | 337.15 | 432.24 | (0.16) |
| 15. | Proposed Dividend | 60.00 | - | - |
| 16. | % of Shareholding | 79.92% | 100% | 99.99% |

**Notes: The following information shall be furnished at the end of the statement:**

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year

## Part B Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

| S. No | Particulars | Details | Details | Details | Details | Details | Details | Details | Details | Details |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Name of Associates or Joint Ventures | **Sandhar Han Sung Technologies (P) Ltd** | **Sandhar Ecco Green Energy (P) Ltd** | **Sandhar Daewha Automotive Systems (P) Ltd** | **Jinyoung Sandhar Mechatronics (P) Ltd** | **Indo Tooling (P) Ltd** | **Sandhar Amkin Industries (P) Ltd** | **Sandhar Daeshin Auto Systems (P) Ltd** | **Sandhar Whetron Electronics (P) Ltd** | **Kwansung Sandhar Technologies (P) Ltd** |
| 2. | Latest audited Balance Sheet Date | 31st March, 2019 | 31st March, 2019 | 31st March, 2019 | 31st March, 2019 | 31st March, 2019 | 31st March, 201 | 31st March, 2019 | 31st March, 2019 | 31st March, 2019 |
| 3. | Shares of Associate or Joint Ventures held by the company on the year end | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| 4. | No. of Shares | 91.98 | 6.89 | 148.23 | 90.00 | 35.25 | 54.5 | .107 | 4.96 | 0.099 |
| 5. | Amount of Investment in Associates or Joint Venture | 919.86 | 222.48* | 1,482.31 | 900.07 | 352.50 | 545.00 | 1.07 | 49.58 | 1.00 |
| 6. | Extent of Holding (in percentage) | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% | 50% |
| 7. | Description of how there is significant influence | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| 8. | Reason why the associate/joint venture is not consolidated | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| 9. | Networth attributable to shareholding as per latest audited Balance Sheet | 330.48 | 82.28 | 1,304.40 | 574.62 | 22.16 | 397.53 | 0.61 | 30.92 | (2.58) |
| 10. | Profit or (Loss) for the year (i) Considered in Consolidation (ii) Not Considered in Consolidation | (234.97) | (24.33) | (158.75) | (160.26) | 52.76 | (138.19) | (0.47) | (18.66) | (3.08) |

*Fair valuation loss amounting ₹148.05 Lakhs provided in the standalone financial statements.

**Notes: The following information shall be furnished at the end of the statement:**

(i) Names of associates or joint ventures which are yet to commence operations.

(ii) Names of associates or joint ventures which have been liquidated or sold during the year

# Annexure II A to Director Report, 2019

**Policy for Selection of Directors and determining Director's Independence**

## Background

Sandhar Technologies Ltd. {including its subsidiaries} (hereinafter referred as the 'Company') believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical in complete compliance of laws.

## Authority for Laying Down the Criteria for Performance Evaluation of Board & Independent Directors

The Nomination & Remuneration Committee of the Company shall lay out the criteria for performance evaluation of the Board & Independent Directors, which shall be approved by the Board. The evaluation shall be done by the entire Board (excluding the director being evaluated).The criteria shall be reviewed by the Nomination & Remuneration Committee and the Board from time to time.

## Brief Overview of the Provisions of Companies Act, 2013

In terms of Section 178 of the Act, and Regulation 19 read with Schedule II to the Listing Regulations. The Nomination and Remuneration Committee has laid down the criteria for performance evaluation of the Board as a whole, its Committees and individual directors. Based thereon, the evaluation is carried out by The Nomination and Remuneration Committee and the Board.

The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance (Section 178 & Companies (Meetings of Board and its Powers) Rules 2014)

The performance evaluation of independent directors (as defined in these provisions) shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director (Section 149 – Schedule IV & Companies (Appointment and Qualification of Directors) Rules 2014 & Regulation 19 read with Schedule II to the Listing Regulations

Code for Independent Directors has been laid down. (Section 149 – Schedule IV & Regulation 19 read with Schedule II to the Listing Regulations

## Individual Director Evaluation & Overall Board Evaluation Process

The criteria are based for assessment of peer directors and assessment of the overall performance of the Board.

EACH DIRECTOR has to complete an evaluation sheet by giving the appropriate rating number related to each of the criteria mentioned below that most closely reflects: -

- performance of individual peer directors, and
- overall performance of the Board.

**For each of the criteria, rating number ranges between 1 and 5 as follows: -**

01-indicating minimum positive.

05-indicatingmaximum positive.

00- indicating where the particular criterion is not applicable or Director does not have enough knowledge or information.

Separate sheet would be provided to each director for evaluation.

The ratings will be compiled and placed before the Board for discussions and evaluation.

The evaluation exercise is to be completed within a time frame.

## Rating Criteria {Ratings from 1-5}

## Individual Peer Review (By all directors)

- Whether the Directors uphold ethical standards of honesty and virtue?
- Whether the Directors have appropriate qualifications to meet the objectives of the Company?
- Whether they have financial/accounting or business literacy/ skills?
- Whether they have automotive industry knowledge?
- How actively and successfully do they refresh their knowledge and skill & are they up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the automotive industry and market conditions?
- How well prepared and well informed are they for Board/ Committee meetings?
- Do they show willingness to spend time and effort learning about the Company and its business?
- Is the attendance of Directors at Board /Committee meetings satisfactory?
- Do they actively participate in the Board /Committee meetings?
- Can they present their views convincingly, yet diplomatically?
- Do they listen to the views of others?
- How cordial are their relationships with other Board/ Committee members and Senior Management?

- What have been the quality and value of Director's contributions at Board/Committee meetings?
- What has been their contribution to the development of strategy and risk management and how successfully they have brought their knowledge and experience to bear in the consideration of these areas?
- Where necessary, how resolute are they in holding to their views and resisting pressure from others?
- How effectively have they followed up matters about which they have expressed concern?
- How well do they communicate with other Board/Committee members, senior management and others?

## Board/Committeee Valuation {By all directors}: -

- Whether Board / Committee have diversity of experiences, backgrounds& appropriate composition?
- Whether Board / Committee monitor compliance with corporate governance, laws, regulations and guidelines?
- Whether Board / Committee demonstrate integrity, credibility, trustworthiness, an ability to handle conflict constructively, and the willingness to address issues proactively?
- Whether Board / Committee dedicate appropriate time and resources needed to execute their responsibilities?
- Whether Agenda and related information are circulated in advance of Board / Committee meetings to allow Directors sufficient time to study and understand the information?
- Whether written materials provided to Board / Committee members are relevant and concise?
- Whether the Chairman encourages inputs on agenda of Board / Committee meetings from their members, management, the internal auditors, and the independent auditor?
- Whether meetings of Board / Committee are conducted effectively, with sufficient time spent on significant matters?
- How well does management respond to request from the Board/ Committee for clarification or additional information?
- Whether proper minutes are maintained of each meeting of Board / Committee?
- Whether Board / Committee meetings are held with enough frequency to fulfil the Board's /Committee's duties?
- Whether Board / Committee {as required} consider the quality and appropriateness of financial/ accounting and reporting, including the transparency of disclosures?
- Whether Board / Committee consider the statutory audit plan and provide recommendations?
- Whether Board / Committee ensure that management takes action to achieve resolution when there are repeat comments from statutory auditors?
- Whether adjustments to the financial statements that resulted from the statutory audit are reviewed by the Audit Committee, regardless of whether they were recorded by management?
- Whether Board / Committee oversee the role of the statutory auditors and have an effective process to evaluate the auditor's qualifications and performance?
- Whether Board / Committee review the audit fees paid to the statutory auditors?
- Whether Board/ Committee consider internal audit reports, management's responses, and steps toward improvement?
- Whether Board/ Committee oversee the process and are notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance?
- Whether the contributions of the Board/ Committee to ensuring robust and effective risk management are adequate?

## Evaluation Criteria for Independent Directors

Each Independent director shall be evaluated by all other Directors of the Board BUT not by the Independent Director themselves.

Rating Criteria for **PEER REVIEW** {by all Directors} as stated hereinabove shall also apply to Independent directors to the extent there is no overlapping with the Rating Criteria of Independent Directors as stated hereinafter.

Whether Independent director/s {ID}follow/professional Conduct, carry out their Roles and Functions and Duties as required in section 149 and Schedule IV of the Companies Act 2013 & given herein below?

**Evaluation based on professional conduct**

- Whether ID upholds ethical standards of integrity and probity?
- Whether ID acts objectively and constructively while exercising their duties?
- Whether ID exercises his/her responsibilities in a bona fide manner in the interest of the Company?
- Whether ID devotes sufficient time and attention to his/her professional obligations for informed and balanced decision making?
- Whether ID not allow any extraneous considerations that will vitiate his/her exercise of objective independent judgment in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making?
- Whether ID does not abuse his/her positions to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person?
- Whether ID refrains from any action that would lead to loss of his/her independence?
- Where circumstances arise which make an independent director lose his/her independence, whether the independent director has immediately informed the Board accordingly?

- Whether ID assists the Company in implementing the best corporate governance practices?

**Evaluation based on Role and functions**

- Whether ID helps in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct?
- Whether ID brings an objective view in the evaluation of the performance of Board and management?
- Whether ID organization the performance of management in meeting agreed goals and objectives and monitor the reporting of performance?
- Whether ID satisfies himself/herself on the integrity of financial information and that financial control and the systems of risk management are robust and defensible?
- Whether ID has taken actions to safeguard the interests of all stakeholders, particularly the minority shareholders?
- Whether IDs balances the conflicting interest of the stakeholders?
- Whether ID during the Board/ Committee meetings along with other members determines appropriate levels of remuneration of executive directors, key managerial personnel and senior management and has a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management?
- Whether ID moderates and arbitrates in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest?

**Evaluation based on Duties**

- Whether ID undertakes appropriate induction and regularly update and refresh his/her skills, knowledge and familiarity with the Company?
- Whether ID seeks appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts?
- Whether IDs strive to attend all meetings of the Board of Directors and of the Committees of which he/she is a member?
- Whether ID participates constructively and actively in the Committees of the Board in which he/she is chairperson or member?
- Whether ID strives to attend the general meetings of the Company?
- Where ID has concerns about the running of the Company or a proposed action, whether he/she ensures that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting?
- Whether ID does not unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board?
- Whether ID gives sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure himself/herself that the same are in the interest of the Company?
- Whether ID ascertains and ensures that the Company has an adequate and functional vigil mechanism and also ensures that the interests of a person who uses such mechanism are not prejudicially affected on account of such use?
- Whether ID reports concerns about unethical, actual or suspected fraud or violation of the Company's Code of Conduct?
- Whether ID acts within his/her authority, assist in protecting the legitimate interests of the Company, shareholders and its employees?
- Whether ID does not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law?

## COMPLIANCES

All evaluation shall be done annually.

Criteria and Evaluation shall be disclosed in the Annual Report of the Company.

On the basis of the report of performance evaluation, it shall be determined by the Nomination & Remuneration Committee & Board whether to extend or continue the term of appointment of the independent director subject to all other applicable compliances.

# Annexure II B to Director Report, 2019

**Remuneration Policy for Directors, Key Managerial Personnel and other Employees**

## Background

Sandhar Technologies Ltd. {including its subsidiaries} (hereinafter referred as the 'Company') believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical and in complete compliance of laws.

## Brief Overview of Provisions under Companies Act, 2013

{Section 178 & Companies [Meetings of Board and its Powers] Rules, 2014} provides for:

Constitution of Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.

The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

**The Nomination and Remuneration Committee shall, while formulating the policy ensure that:-**

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

such policy shall be placed on the website of the company the salient features of the policy and changes therein, if any, along with the web address of the policy shall be disclosed in the Board's report.

## Present Position of Directors & KMP of the Company

There exists a Nomination and Remuneration Committee of the Board of Directors (Board).

As on 31st March, 2019 there are total 10(Ten) directors as members of the Board of Directors of the Company {Board} out of which there are 8(Eight) Non-Executive Directors. Of the 2 (Two) Non -Executive Directors, 6 (Six) are also independent and the remaining 2(Two) are Executive Directors who are not independent. The Key Managerial Personnel (KMP) consists of Managing Director and employee Whole Time Director who also is the Chief Financial Officer and Company Secretary.

## Terms of Reference of Nomination and Remuneration Committee

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees
- Formulation of criteria for evaluation of performance of independent directors, board of directors, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance
- Devising a policy on diversity of board of directors;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- Recommend to the board, all remuneration, in whatever form, payable to senior management.
- To develop a succession plan for the Board and to regularly review the plan.

## Criteria for Determining the Following: -

Qualifications for appointment of Directors (including Independent Directors): -

- No specific qualification/s for Directors Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.

- Their financial or business literacy/skills.
- Their automotive / allied industry experience.
- Appropriate other qualification/experience to meet the objectives of the Company.
- Applicable provisions of Companies Act 2013, its Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The above qualifications, {other than the statutory requirements which are mandatory}, are preferable and desirable with absolute discretion to the Nomination and Remuneration Committee to consider and keep in view any other criteria or norms for selection of the most suitable candidate/s.

**Positive attributes of Directors {including Independent Directors}:-**

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- They are to actively refresh their knowledge and skill with the latest developments in the automotive and allied industry, market conditions and applicable legal provisions.
- They are to show willingness to devote sufficient time and attention for the Company and its business and execute their responsibilities
- They are to assist in bringing independent judgments to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- They are able to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- They are to act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees

**Conditions of Independence of Directors: -**

In compliance of terms of the Companies Act 2013 and its Rules {Section 149 – Schedule IV- Code for Independent Directors &Companies [Appointment and Qualification of Directors] Rules 2014 } and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**Criteria for appointment in Senior Management including KMP: -**

- Their required qualifications, experience, skills& expertise to effectively meet their areas of work, duties and responsibilities.
- Their Automotives/ allied industry experience.
- Their ability to assume the responsibilities and duties of their posts effectually.
- Appropriate other qualification/experience to meet the objectives of the Company.

## Policy Relating to Remuneration of Directors, KMP & other Employees {On Appointment/ Subsequent Increases

- The Company shall ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
- It should be ensured that no director/KMP/ other employee are involved in deciding his or her own remuneration.
- The market rates/ quantum and structures of remuneration as applicable to the comparable organisations in the similar business spheres should be given due consideration.
- It is to be ensured that relationship of remuneration to the performance is clear & meets appropriate performance benchmarks.
- Performance benchmarks are laid down.
- Increase in remuneration should provide rewards for improved performance.
- Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.

**Following criteria are also to be considered: -**

- Responsibilities and duties;
- Time & efforts devoted;
- Value addition;
- Profitability of the Company & growth of its business;
- Analyzing each and every position and skills for fixing the remuneration yardstick;
- Standards for certain functions/Departments like Die Casting, Plastic Injection Moulding production, Manufacturing Engineering, Quality Assurance, Maintenance & Business Development, where there is a huge scarcity of qualified resource;
- Ensuring tax efficient remuneration structures;
- Ensuring that remuneration structure is simple and that the Cost to the Company {CTC} is not shown inflated and, in comparison, the effective take home remuneration is not low;
- Any other criteria as may be applicable.

Consistent treatment of remuneration parameters across the organization.

Provisions of law with regard making payment of remuneration, as may be applicable, are complied.

Whenever, there is any deviation from the Policy, the justification/ reasons should also be indicated/disclosed adequately

# Annexure III to Director Report, 2019

## Secretarial Audit Report

**For the Financial Year Ended on 31st March, 2019**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Sandhar Technologies Limited
B-6/20, L.S.C, Safdarjung Enclave,
New Delhi- 110029

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Sandhar Technologies Limited** (**CIN: L74999DL1987PLC029553**) (hereinafter called "the Company"). The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2019** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2019** according to the provisions of:

1. The Companies Act, 2013 (the Act) read with the applicable provisions of Companies Amendment Act, 2017 and the Rules made thereunder;

2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

4. The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; and

5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   ii. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit period);

   iv. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014(Not Applicable to the Company during the audit period);

   v. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit period);

   vi. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   vii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit period);

   viii. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit period); and

   ix. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

6. We further report that having regard to compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company:

   i. The Factories Act, 1948;

   ii. The Competition Act, 2002;

iii. The Industries (Development and Regulation) Act, 1951 and rules/ regulations framed thereunder;

iv. The Petroleum Act, 1934 and the rules made thereunder;

v. The Environment Protection Act, 1986 and the rules made thereunder;

vi. The Water (Prevention and Control of Pollution) Act, 1974 and the rules made thereunder;

vii. The Air (Prevention and Control of Pollution) Act, 1981 and the rules made thereunder;

viii. Noise Pollution (Regulation and control) Rules 2000;

ix. The Goods and Service Tax Act, 2017;

x. The Shop and Establishment Act, 1948;

xi. The Industrial Disputes Act, 1947;

xii. The Workmen's Compensation Act, 1923;

xiii. The Payment of Wages Act, 1936

xiv. The Minimum Wages Act, 1948;

xv. The Payment of Bonus Act, 1965; and

xvi. Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

We further report that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated laws.

We have also examined compliance with the applicable clauses of the following:

1. Secretarial Standards (SS) with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

2. The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions at Board and Committee Meetings were carried out through unanimous consent as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that during the audit period,**

a) M/S Sandhar Technologies Limited and Whetron Electronic Co. Ltd. (Company incorporated under the laws of Republic of China) have entered into Joint Venture Agreement dated 21st day of June, 2018 with the purpose of manufacturing and selling electronic parts and accessories for the automotive industries in India and pursuant to same established Sandhar Whetron Electronics Private Limited on 19th July, 2018 as a Joint Venture enterprise.

b) M/S Sandhar Technologies Limited and Kwangsung Corporation Limited (established under the laws of Republic of Korea) have entered into Joint Venture Agreement dated 30th day of October, 2018 with the purpose of manufacturing and selling interior and exterior parts, plastic moulded parts and accessories for the passenger and utility vehicles and pursuant to same established Kwangsung Sandhar Technologies Private Limited on 6th February, 2019 as Joint Venture enterprise.

**FOR K.K. SACHDEVA & ASSOCIATES**
Practicing Company Secretaries

Sd/-
**K.K. Sachdeva**
Proprietor
FCS No. 7153, CP No. 4721

Place: New Delhi
Date: 27 May 2019

# Annexure IV to Director Report, 2019

## Form- MGT 9

**Extracts of Annual Return as on financial year ended on 31.03.2019**

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

## I. Registration & Other Details:

| | | |
|---|---|---|
| 1. | CIN | **L74999DL1987PLC029553** |
| 2. | Registration Date | 19.10.1987 |
| 3. | Name of the Company | Sandhar Technologies Limited |
| 4. | Category/Sub-category of the Company | Listed Public Limited Company / Limited by Shares |
| 5. | Address of the Registered office & contact details | B-6/20 L.S.C. Safdarjung Enclave, New Delhi-110029 |
| 6. | Whether listed company | Yes |
| 7. | Name , Address & contact details of the Registrar & Transfer Agent, if any. | Link Intime India Private Limited<br>Address : C-101, 1st floor 247 Park L B S Marg, Vikhroli (West) Mumbai 400 083<br>Tel: +91 22 4918 6270<br>Fax: +91 22 4918 6060<br>E-mail: mumbai@linkintime.co.in<br>Investor Grievance e-mail: rnt.helpdesk@linkintime.co.in<br>Website: www.linkintime.co.in |

## II. Principal Business Activities of the Company

(All the business activities contributing 10% or more of the total turnover of the company shall be stated)

| S. No | Name & Description of main products/services | NIC Code of the Product/service* | % to total turnover of the company |
|---|---|---|---|
| 1. | Locks | 259, 282, 293, 309, 453 and 454 | 24.30% |
| 2. | Mirror Assembly | 282, 293, 309, 453 and 454 | 11.38% |
| 3. | Wheel Assembly | 293, 309, 453 and 454 | 11.22% |
| 4. | Sheet Metal Components | 282, 293, 309, 453 and 454 | 19.23% |
| 5. | Cabins | 282 | 9.64% |
| 6. | Plastic Parts | 222, 292, 293, 309, 453 and 454 | 4.00% |
| 7. | Handle Bar Assembly | 293, 309, 453 and 454 | 8.21% |
| 8. | Other Products | 222, 292, 293, 309, 453 and 454 | 12.02% |

*As per National Industrial Classification 2008

## III. Particulars of Holding , Subsidiary & Associate Companies (As on 31st March, 2019)

| S. No | Name & Address of the Company | CIN/FCRN | Holding/ Subsidiary/ Associate | % of Shares Held | Applicable Section |
|---|---|---|---|---|---|
| 1. | Sandhar Tooling Private Limited | U28939DL2002PTC114374 | Subsidiary | 79.92% | 2(87) |
| 2. | Sandhar Technologies Barcelona S.L. | NDWAZ2009757 | Subsidiary | 100% | 2(87) |
| 3. | Sandhar Strategic Systems Pvt. Ltd. | U28994HR2016PTC065726 | Subsidiary | 100% | 2(87) |
| 4. | Kwangsung Sandhar Technologies Pvt. Ltd | U29100HR2019PTC078337 | Associate/Joint Venture | 50% | 2(6) |
| 5. | Indo Tooling Private Limited | U28931MP2008PTC034503 | Associate/Joint Venture | 50% | 2(6) |
| 6. | Sandhar Han Sung Technologies Private Limited | U28100HR2014PTC067295 | Associate/Joint Venture | 50% | 2(6) |
| 7. | Jinyoung Sandhar Mechatronics Pvt. Ltd. | U36990HR2017PTC068220 | Associate/Joint Venture | 50% | 2(6) |
| 8. | Sandhar Daewha Automotive Systems Private Limited | U36100HR2017PTC069555 | Associate/Joint Venture | 50% | 2(6) |
| 9. | Sandhar Amkin Industries Private Limited | U36100DL2017PTC323315 | Associate/Joint Venture | 50% | 2(6) |
| 10. | Sandhar ECCO Green Energy Private Limited | U74900DL2013PTC252844 | Associate/Joint Venture | 50% | 2(6) |
| 11. | Sandhar Daeshin Auto Systems Private Limited | U29100HR2018PTC073894 | Associate/Joint Venture | 50% | 2(6) |
| 12. | Sandhar Whetron Electronics Private Limited | U29100HR2018PTC075043 | Associate/Joint Venture | 50% | 2(6) |

## IV. Share Holding Pattern (Equity & Preference Share Capital Breakup as percentage of Total Equity & Preference)

### (i) (a) Category-wise Equity Shareholding

| Category of Shareholders | Shareholding at the beginning of the year - 2018 | | | | Shareholding at the end of the year - 2019 | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **Shareholding of Promoter and Promoter Group** | | | | | | | | | |
| Indian | | | | | | | | | |
| Individuals / Hindu Undivided Family | 3,71,72,943 | - | 3,71,72,943 | 61.76% | 3,72,07,865 | - | 3,72,07,865 | 61.82% | 0.06% |
| Central Government / State Government(s) | - | - | - | - | - | - | - | - | - |
| Financial Institutions / Banks | - | - | - | - | - | - | - | - | - |
| Any Other (Specify) | | | | - | | | | - | - |
| Bodies Corporate | 50,47,116 | - | 50,47,116 | 8.39% | 50,64,127 | - | 50,64,127 | 8.41% | 0.03% |
| **Sub Total (A)(1)** | **4,22,20,059** | **-** | **4,22,20,059** | **70.14%** | **4,22,71,992** | **-** | **4,22,71,992** | **70.23%** | **0.09%** |
| **Foreign** | - | - | - | - | - | - | - | - | - |
| Individuals (Non-Resident Individuals / Foreign Individuals) | - | - | - | - | - | - | - | - | - |
| Government | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | - | - | - | - | - |
| Foreign Portfolio Investor | - | - | - | - | - | - | - | - | - |
| Any Other (Specify) | | | | - | | | | - | - |
| **Sub Total (A)(2)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total Shareholding of Promoter and Promoter Group(A)=(A)(1)+(A)(2)** | **4,22,20,059** | **-** | **4,22,20,059** | **70.14%** | **4,22,71,992** | **-** | **4,22,71,992** | **70.23%** | **0.09%** |
| Public Shareholding | - | - | - | - | - | - | - | - | - |
| Institutions | - | - | - | - | - | - | - | - | - |
| Mutual Funds / UTI | 39,52,557 | - | 39,52,557 | 6.57% | 89,08,022 | - | 89,08,022 | 14.80% | 8.23% |
| Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| Alternate Investment Funds | 3,31,290 | - | 3,31,290 | 0.55% | 3,31,290 | - | 3,31,290 | 0.55% | - |
| Foreign Venture Capital Investors | - | - | - | - | - | - | - | - | - |
| Foreign Portfolio Investor | 22,64,069 | - | 22,64,069 | 3.76% | 15,81,970 | - | 15,81,970 | 2.63% | -1.13% |
| Financial Institutions / Banks | 11,39,436 | - | 11,39,436 | 1.89% | 41,665 | - | 41,665 | 0.07% | -1.82% |
| Insurance Companies | - | - | - | - | - | - | - | - | - |
| Provident Funds/ Pension Funds | - | - | - | - | - | - | - | - | - |
| Any Other (Specify) | - | - | - | - | - | - | - | - | - |
| Sub Total (B)(1) | 76,87,352 | - | 76,87,352 | 12.77% | 1,08,62,947 | - | 1,08,62,947 | 18.05% | 5.28% |
| Central Government/ State Government(s)/ President of India | - | - | - | - | - | - | - | - | - |
| **Sub Total (B)(2)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Non-Institutions | - | - | - | - | - | - | - | - | - |
| Individuals | - | - | - | - | - | - | - | - | - |
| Individual shareholders holding nominal share capital upto ₹1 lakh. | 52,09,794 | - | 52,09,794 | 8.66% | 19,77,132 | - | 19,77,132 | 3.28% | -5.37% |
| Individual shareholders holding nominal share capital in excess of ₹1 lakh | 32,45,745 | - | 32,45,745 | 5.39% | 35,37,301 | - | 35,37,301 | 5.88% | 0.48% |
| NBFCs registered with RBI | 6,086 | - | 6,086 | 0.01% | - | - | - | - | 0.01% |
| Overseas Depositories(holding DRs) (balancing figure) | - | - | - | - | - | - | - | - | - |
| Any Other (Specify) | | | | - | | | | - | - |
| Hindu Undivided Family | 5,99,553 | - | 5,99,553 | 1.00% | 1,59,912 | - | 1,59,912 | 0.27% | -0.73% |
| Non Resident Indians (Non Repat) | 5,654 | - | 5,654 | 0.01% | 27,147 | - | 27,147 | 0.05% | 0.04% |
| Non Resident Indians (Repat) | 8,543 | - | 8,543 | 0.01% | 24,806 | - | 24,806 | 0.04% | 0.03% |
| Clearing Member | - | - | - | - | 1,23,752 | - | 1,23,752 | 0.21% | 0.21% |
| Bodies Corporate | 12,07,922 | - | 12,07,922 | 2.01% | 12,05,719 | - | 12,05,719 | 2.00% | 0.00% |
| **Sub Total (B)(3)** | **1,02,83,297** | **-** | **1,02,83,297** | **17.08%** | **70,55,769** | **-** | **70,55,769** | **11.72%** | **-5.36%** |
| **Total Public Shareholding(B)=(B)(1)+(B)(2)+(B)(3)** | **1,79,70,649** | **-** | **1,79,70,649** | **29.86%** | **1,79,18,716** | **-** | **1,79,18,716** | **29.77%** | **-0.09%** |
| **Total (A)+(B)** | **6,01,90,708** | **-** | **6,01,90,708** | **100.00%** | **6,01,90,708** | **-** | **6,01,90,708** | **100.00%** | **-** |
| Non Promoter - Non Public | | | | - | | | | - | - |
| Custodian/DR Holder | - | - | - | - | - | - | - | - | - |
| Employee Benefit Trust (under SEBI (Share based Employee Benefit) Regulations, 2014) | - | - | - | - | - | - | - | - | - |
| **Total (A)+(B)+(C)** | **6,01,90,708** | **-** | **6,01,90,708** | **100.00%** | **6,01,90,708** | **-** | **6,01,90,708** | **100.00%** | |

### (i) (b) Category-wise Preference Share Holding

There is no preference shareholding of Company as on March 31, 2019

**(ii) Share Holding of Promoter & Promoter Group**

| S. No | Shareholders' Name | Shareholding at the beginning of the year (01.04.2018) | | | Shareholding at the end of the year (31.03.2019) | | | % change in share holding during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | % of shares pledged encumbered to total shares | No. of shares | % of total shares of the company | % of shares pledged encumbered to total shares | |
| 1. | Mr. Jayant Davar | 3,13,06,426 | 52.01% | - | 3,13,41,348 | 52.07% | - | 0.06% |
| 2. | Mrs. Monica Davar | 26,22,725 | 4.36% | - | 26,22,725 | 4.36% | - | 0.00% |
| 3. | Master Neel Jay Davar | 15,55,995 | 2.59% | - | 15,55,995 | 2.59% | - | 0.00% |
| 4. | Mr. D. N. Davar | 8,39,582 | 1.39% | - | 8,39,582 | 1.39% | - | 0.00% |
| 5. | Mrs. Santosh Davar | 7,85,950 | 1.31% | - | 7,85,950 | 1.31% | - | 0.00% |
| 6. | Mrs. Poonam Juneja | 62,265 | 0.10% | - | 62,265 | 0.10% | - | 0.00% |
| 7. | Sandhar Estates Private Limited | 3,50,280 | 0.58% | - | 3,50,280 | 0.58% | - | 0.00% |
| 8. | YSG Estates Private Limited | 16,62,032 | 2.76% | - | 16,62,032 | 2.76% | - | 0.00% |
| 9. | Sanjeevni Impex Private Limited | 16,67,727 | 2.77% | - | 16,84,738 | 2.80% | - | 0.03% |
| 11. | Sandhar Infosystem Private Limited | 7,93,569 | 1.32% | - | 7,93,569 | 1.32% | - | 0.00% |
| 12. | Jubin Finance & Investment Limited | 5,73,508 | 0.95% | - | 5,73,508 | 0.95% | - | 0.00% |
| | **Total** | **4,22,20,059** | **70.14%** | **-** | **4,22,71,992** | **70.23%** | **-** | **0.09%** |

NOTE : a) Shareholding of Mr. Jayant Davar includes 90909 shares held by Proprietorship firm (M/s Sandhar Enterprise) in the name of proprietor Mr. Jayant Davar

b) Change in Percentage of Holding of Promoter & Promoter Group A30

**(iii) Change in Promoters' Shareholding ( Specify if there is no Change)**

| S. No | Particulars | Shareholding At The Beginning of The Year (01.04.2018) | | Cumulative Shareholding During The Year | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company |
| 1. | At the beginning of the year (01.04.2018) | 3,13,06,426 | 52.01% | 3,13,41,348 | 52.07% |
| 2. | Name of Promoter : Shri Jayant Davar | Change in Percentage of Shareholding of Promoter due to Equity Share Purchase during the year. | | | |
| 3. | At the end of the year (31.03.2019) | 3,13,41,348 | 52.07% | 3,13,41,348 | 52.07% |

NOTE : a) Shareholding of Mr. Jayant Davar includes 90909 shares held by Proprietorship firm (M/s Sandhar Enterprise) in the name of proprietor Mr. Jayant Davar

**(iv) Shareholding Pattern of Ten Shareholders**

| S. No | Name & Type of Transaction | Shareholding at the beginning of the year - 2018 | | Transactions during the year | | Cumulative Shareholding at the end of the year - 2019 | |
|---|---|---|---|---|---|---|---|
| | | No.of Shares Held | % of Total Shares of The Company | Date of Transaction | No. of Shares | No of Shares Held | % of Total Shares of The Company |
| 1. | AKASH BHANSHALI | 2487505 | 4.1327 | | | 2487505 | 4.1327 |
| | AT THE END OF THE YEAR | | | | | 2487505 | 4.1327 |
| 2. | ICICI PRUDENTIAL MULTICAP FUND | 761576 | 1.2653 | | | 761576 | 1.2653 |
| | Transfer | | | 06 Apr 2018 | 126757 | 888333 | 1.4759 |
| | Transfer | | | 20 Apr 2018 | -166876 | 721457 | 1.1986 |
| | Transfer | | | 27 Apr 2018 | 21319 | 742776 | 1.234 |
| | Transfer | | | 04 May 2018 | 10000 | 752776 | 1.2507 |
| | Transfer | | | 20 Jul 2018 | 53102 | 805878 | 1.3389 |
| | Transfer | | | 27 Jul 2018 | 6658 | 812536 | 1.3499 |
| | Transfer | | | 03 Aug 2018 | 1074 | 813610 | 1.3517 |
| | Transfer | | | 10 Aug 2018 | 2814 | 816424 | 1.3564 |
| | Transfer | | | 17 Aug 2018 | 3965 | 820389 | 1.363 |
| | Transfer | | | 29 Sep 2018 | 4029 | 824418 | 1.3697 |
| | Transfer | | | 05 Oct 2018 | 39465 | 863883 | 1.4352 |
| | Transfer | | | 12 Oct 2018 | 54113 | 917996 | 1.5251 |
| | Transfer | | | 19 Oct 2018 | 84007 | 1002003 | 1.6647 |
| | Transfer | | | 26 Oct 2018 | 306145 | 1308148 | 2.1733 |
| | Transfer | | | 02 Nov 2018 | 17849 | 1325997 | 2.203 |

| S. No | Name & Type of Transaction | Shareholding at the beginning of the year - 2018 | | Transactions during the year | | Cumulative Shareholding at the end of the year - 2019 | |
|---|---|---|---|---|---|---|---|
| | | No.of Shares Held | % of Total Shares of The Company | Date of Transaction | No. of Shares | No of Shares Held | % of Total Shares of The Company |
| | Transfer | | | 09 Nov 2018 | 2265 | 1328262 | 2.2068 |
| | Transfer | | | 16 Nov 2018 | 5 | 1328267 | 2.2068 |
| | Transfer | | | 23 Nov 2018 | 71392 | 1399659 | 2.3254 |
| | Transfer | | | 30 Nov 2018 | 231221 | 1630880 | 2.7095 |
| | Transfer | | | 07 Dec 2018 | 476 | 1631356 | 2.7103 |
| | Transfer | | | 11 Jan 2019 | 290000 | 1921356 | 3.1921 |
| | Transfer | | | 01 Feb 2019 | 2190 | 1923546 | 3.1958 |
| | Transfer | | | 08 Feb 2019 | 182412 | 2105958 | 3.4988 |
| | Transfer | | | 15 Feb 2019 | 804 | 2106762 | 3.5001 |
| | Transfer | | | 22 Feb 2019 | 1493 | 2108255 | 3.5026 |
| | Transfer | | | 01 Mar 2019 | 17867 | 2126122 | 3.5323 |
| | Transfer | | | 08 Mar 2019 | 2331 | 2128453 | 3.5362 |
| | Transfer | | | 22 Mar 2019 | 10085 | 2138538 | 3.5529 |
| | Transfer | | | 29 Mar 2019 | 2150 | 2140688 | 3.5565 |
| | AT THE END OF THE YEAR | | | | | 2140688 | 3.5565 |
| 3. | SBI MAGNUM MULTICAP FUND | 447697 | 0.7438 | | | 447697 | 0.7438 |
| | Transfer | | | 06 Apr 2018 | 1300244 | 1747941 | 2.904 |
| | Transfer | | | 13 Jul 2018 | -100000 | 1647941 | 2.7379 |
| | Transfer | | | 24 Aug 2018 | 73984 | 1721925 | 2.8608 |
| | Transfer | | | 14 Sep 2018 | 16347 | 1738272 | 2.8879 |
| | Transfer | | | 21 Sep 2018 | 178298 | 1916570 | 3.1842 |
| | Transfer | | | 29 Sep 2018 | 74 | 1916644 | 3.1843 |
| | Transfer | | | 22 Mar 2019 | -32752 | 1883892 | 3.1299 |
| | Transfer | | | 29 Mar 2019 | -49588 | 1834304 | 3.0475 |
| | AT THE END OF THE YEAR | | | | | 1834304 | 3.0475 |
| 4. | IDFC TAX ADVANTAGE (ELSS) FUND | 587361 | 0.9758 | | | 587361 | 0.9758 |
| | Transfer | | | 06 Apr 2018 | 248326 | 835687 | 1.3884 |
| | Transfer | | | 13 Apr 2018 | 159953 | 995640 | 1.6541 |
| | Transfer | | | 20 Apr 2018 | 169252 | 1164892 | 1.9353 |
| | Transfer | | | 04 May 2018 | 3108 | 1168000 | 1.9405 |
| | Transfer | | | 25 May 2018 | 20000 | 1188000 | 1.9737 |
| | Transfer | | | 01 Jun 2018 | 5000 | 1193000 | 1.982 |
| | Transfer | | | 08 Jun 2018 | 15000 | 1208000 | 2.007 |
| | Transfer | | | 22 Jun 2018 | 11932 | 1219932 | 2.0268 |
| | Transfer | | | 30 Jun 2018 | 20048 | 1239980 | 2.0601 |
| | Transfer | | | 13 Jul 2018 | 30146 | 1270126 | 2.1102 |
| | Transfer | | | 20 Jul 2018 | 28121 | 1298247 | 2.1569 |
| | Transfer | | | 27 Jul 2018 | 6733 | 1304980 | 2.1681 |
| | Transfer | | | 31 Aug 2018 | -5108 | 1299872 | 2.1596 |
| | Transfer | | | 14 Sep 2018 | 10000 | 1309872 | 2.1762 |
| | Transfer | | | 29 Sep 2018 | 25108 | 1334980 | 2.2179 |
| | Transfer | | | 05 Oct 2018 | 10000 | 1344980 | 2.2345 |
| | Transfer | | | 12 Oct 2018 | 5733 | 1350713 | 2.2441 |
| | Transfer | | | 19 Oct 2018 | 2267 | 1352980 | 2.2478 |
| | Transfer | | | 02 Nov 2018 | 10000 | 1362980 | 2.2644 |
| | Transfer | | | 09 Nov 2018 | 7000 | 1369980 | 2.2761 |
| | Transfer | | | 16 Nov 2018 | 5000 | 1374980 | 2.2844 |
| | Transfer | | | 23 Nov 2018 | 5000 | 1379980 | 2.2927 |
| | Transfer | | | 30 Nov 2018 | 27595 | 1407575 | 2.3385 |
| | Transfer | | | 07 Dec 2018 | 14016 | 1421591 | 2.3618 |
| | Transfer | | | 14 Dec 2018 | 18772 | 1440363 | 2.393 |
| | Transfer | | | 21 Dec 2018 | 1168 | 1441531 | 2.3949 |
| | Transfer | | | 28 Dec 2018 | -48000 | 1393531 | 2.3152 |
| | Transfer | | | 31 Dec 2018 | 48000 | 1441531 | 2.3949 |
| | Transfer | | | 04 Jan 2019 | 6449 | 1447980 | 2.4057 |
| | Transfer | | | 11 Jan 2019 | 5000 | 1452980 | 2.414 |
| | Transfer | | | 25 Jan 2019 | 199000 | 1651980 | 2.7446 |

| S. No | Name & Type of Transaction | Shareholding at the beginning of the year - 2018 | | Transactions during the year | | Cumulative Shareholding at the end of the year - 2019 | |
|---|---|---|---|---|---|---|---|
| | | No.of Shares Held | % of Total Shares of The Company | Date of Transaction | No. of Shares | No of Shares Held | % of Total Shares of The Company |
| | Transfer | | | 01 Feb 2019 | 7122 | 1659102 | 2.7564 |
| | Transfer | | | 08 Feb 2019 | 10378 | 1669480 | 2.7737 |
| | Transfer | | | 15 Feb 2019 | 2500 | 1671980 | 2.7778 |
| | Transfer | | | 22 Feb 2019 | 4695 | 1676675 | 2.7856 |
| | Transfer | | | 08 Mar 2019 | 1305 | 1677980 | 2.7878 |
| | Transfer | | | 15 Mar 2019 | 5000 | 1682980 | 2.7961 |
| | Transfer | | | 22 Mar 2019 | 2500 | 1685480 | 2.8002 |
| | Transfer | | | 29 Mar 2019 | 2500 | 1687980 | 2.8044 |
| | AT THE END OF THE YEAR | | | | | 1687980 | 2.8044 |
| 5. | DSP SMALL CAP FUND | 331290 | 0.5504 | | | 331290 | 0.5504 |
| | Transfer | | | 06 Apr 2018 | 124890 | 456180 | 0.7579 |
| | Transfer | | | 13 Apr 2018 | 13696 | 469876 | 0.7806 |
| | Transfer | | | 08 Jun 2018 | 38008 | 507884 | 0.8438 |
| | Transfer | | | 30 Jun 2018 | 21750 | 529634 | 0.8799 |
| | Transfer | | | 06 Jul 2018 | 63467 | 593101 | 0.9854 |
| | Transfer | | | 13 Jul 2018 | 128717 | 721818 | 1.1992 |
| | Transfer | | | 21 Dec 2018 | 137104 | 858922 | 1.427 |
| | Transfer | | | 28 Dec 2018 | 6528 | 865450 | 1.4378 |
| | Transfer | | | 31 Dec 2018 | 1575 | 867025 | 1.4405 |
| | Transfer | | | 04 Jan 2019 | 104 | 867129 | 1.4406 |
| | Transfer | | | 25 Jan 2019 | 190000 | 1057129 | 1.7563 |
| | AT THE END OF THE YEAR | | | | | 1057129 | 1.7563 |
| 6. | ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A/C ADITYA BIRLA SUN LIFE SMALL CAP FUND | 408577 | 0.6788 | | | 408577 | 0.6788 |
| | Transfer | | | 06 Apr 2018 | 16400 | 424977 | 0.7061 |
| | Transfer | | | 13 Apr 2018 | 125000 | 549977 | 0.9137 |
| | Transfer | | | 04 May 2018 | 50000 | 599977 | 0.9968 |
| | Transfer | | | 24 Aug 2018 | 23 | 600000 | 0.9968 |
| | Transfer | | | 08 Feb 2019 | 82400 | 682400 | 1.1337 |
| | Transfer | | | 15 Feb 2019 | 27800 | 710200 | 1.1799 |
| | Transfer | | | 22 Mar 2019 | 1537 | 711737 | 1.1825 |
| | Transfer | | | 29 Mar 2019 | 141199 | 852936 | 1.4171 |
| | AT THE END OF THE YEAR | | | | | 852936 | 1.4171 |
| 7. | HSBC GLOBAL INVESTMENT FUNDS - ASIA EX JAPAN EQUITY SMALLER COMPANIES | 507542 | 0.8432 | | | 507542 | 0.8432 |
| | Transfer | | | 06 Apr 2018 | 108233 | 615775 | 1.023 |
| | Transfer | | | 13 Apr 2018 | 123704 | 739479 | 1.2286 |
| | Transfer | | | 20 Apr 2018 | 83529 | 823008 | 1.3673 |
| | Transfer | | | 08 Jun 2018 | 1819 | 824827 | 1.3704 |
| | Transfer | | | 15 Jun 2018 | 5507 | 830334 | 1.3795 |
| | AT THE END OF THE YEAR | | | | | 830334 | 1.3795 |
| 8. | AADI FINANCIAL ADVISORS LLP | 0 | 0 | | | 0 | 0 |
| | Transfer | | | 06 Apr 2018 | 375000 | 375000 | 0.623 |
| | Transfer | | | 29 Mar 2019 | 100000 | 475000 | 0.7892 |
| | AT THE END OF THE YEAR | | | | | 475000 | 0.7892 |
| 9. | JAGDISH N MASTER | 0 | 0 | | | 0 | 0 |
| | Transfer | | | 06 Apr 2018 | 290500 | 290500 | 0.4826 |
| | Transfer | | | 13 Apr 2018 | 10000 | 300500 | 0.4992 |
| | Transfer | | | 03 Aug 2018 | 405 | 300905 | 0.4999 |
| | Transfer | | | 14 Sep 2018 | 95 | 301000 | 0.5001 |
| | Transfer | | | 29 Sep 2018 | 3000 | 304000 | 0.5051 |
| | Transfer | | | 05 Oct 2018 | 2000 | 306000 | 0.5084 |
| | Transfer | | | 26 Oct 2018 | 276 | 306276 | 0.5088 |
| | Transfer | | | 23 Nov 2018 | 224 | 306500 | 0.5092 |

| S. No | Name & Type of Transaction | Shareholding at the beginning of the year - 2018 | | Transactions during the year | | Cumulative Shareholding at the end of the year - 2019 | |
|---|---|---|---|---|---|---|---|
| | | No.of Shares Held | % of Total Shares of The Company | Date of Transaction | No. of Shares | No of Shares Held | % of Total Shares of The Company |
| | Transfer | | | 14 Dec 2018 | 500 | 307000 | 0.51 |
| | Transfer | | | 21 Dec 2018 | 500 | 307500 | 0.5109 |
| | Transfer | | | 11 Jan 2019 | 500 | 308000 | 0.5117 |
| | Transfer | | | 18 Jan 2019 | 1 | 308001 | 0.5117 |
| | Transfer | | | 25 Jan 2019 | 1019 | 309020 | 0.5134 |
| | Transfer | | | 01 Feb 2019 | 500 | 309520 | 0.5142 |
| | Transfer | | | 08 Feb 2019 | 980 | 310500 | 0.5159 |
| | Transfer | | | 15 Mar 2019 | 500 | 311000 | 0.5167 |
| | Transfer | | | 22 Mar 2019 | 1500 | 312500 | 0.5192 |
| | Transfer | | | 29 Mar 2019 | 139500 | 452000 | 0.7509 |
| | AT THE END OF THE YEAR | | | | | 452000 | 0.7509 |
| 10. | L&T MUTUAL FUND TRUSTEE LIMITED - L&T EMERGING OPPORTUNITIES FUND - SERIES I | 401214 | 0.6666 | | | 401214 | 0.6666 |
| | Transfer | | | 22 Jun 2018 | -12284 | 388930 | 0.6462 |
| | AT THE END OF THE YEAR | | | | | 388930 | 0.6462 |

**(v) Shareholding of Directors & KMP**

| S. No | Particulars | Shareholding | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | For Each of the Directors & KMP | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company |
| 1. | At the beginning of the year | 3,47,68,778 | 57.76% | 3,48,03,700 | 60.41% |
| 2. | **Name of Director/KMP:**<br>i) Shri Dharmendar Nath Davar<br>ii) Shri Jayant Davar<br>iii) Smt. Monica Davar<br>iv) Shri Arvind Joshi | (i) Change in Shareholding of Shri Jayant Davar is due to aquisition of Equity Share during the year. | | | |
| 3. | At the end of the year | 3,48,03,700 | 60.41% | 3,48,03,700 | 60.41% |

NOTE : Shareholding of Mr. Jayant Davar includes 90909 shares held by Proprietorship firm (M/s Sandhar Enterprise) in the name of proprietor Mr. Jayant Davar

## V. Indebtedness of the Company including interest Outstanding/Accrued but not due for Payment

(Amount in ₹ Lakhs)

**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits |
|---|---|---|---|
| **Indebtness at the beginning of the financial year** | | | |
| i) Principal Amount | 28,021.36 | 4,925.00 | - |
| ii) Interest due but not paid | 84.33 | - | - |
| iii) Interest accrued but not due | 9.64 | 28.44 | - |
| **Total (i+ii+iii)** | **28,115.33** | **4,953.44** | **-** |
| Additions | - | - | |
| Reduction | 16,681.37 | 4,953.44 | - |
| Net Change | (16,681.37) | (4,953.44) | - |
| **Indebtedness at the end of the financial year** | | | - |
| i) Principal Amount | 11,417.86 | - | |
| ii) Interest due but not paid | 15.50 | - | - |
| iii) Interest accrued but not due | 0.60 | - | - |
| **Total (i+ii+iii)** | **11,433.96** | **-** | **-** |

## VI. Remuneration of Directors And Key Managerial Personnel

### A. Remuneration to Managing Director, Whole Time Director and/or Manager:

(Amount in ₹ Lakhs)

| S. No | Particulars of Remuneration | Name of the MD/WTD/Manager | | Total Amount |
|---|---|---|---|---|
| | Gross salary | Mr. Jayant Davar Managing Director | Mr. Arvind Joshi Whole Time Director | |
| 1. | (a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961. | 134.40 | 104.63 | 239.03 |
| | (b) Value of perquisites u/s 17(2) of the Income tax Act, 1961 | 8.32 | 17.65 | 25.96 |
| | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | - | - | - |
| 2. | Stock option | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission | 587.59 | 76.01 | 663.60 |
| | as % of profit | 4% | 0.50% | 4.50% |
| | others (specify) | - | - | - |
| 5. | Others, please specify | - | - | - |
| | **Total (A)** | **730.31** | **198.29** | **928.59** |
| | Ceiling as per the Act | 10% of Net profit of the Company computed as per Section 198 of the Companies Act, 2013] | | |

### B. Remuneration to Other Directors

(Amount in ₹ Lakhs)

| S. No | Particulars of Remuneration | Name of the Directors | | | | | | Total Amount |
|---|---|---|---|---|---|---|---|---|
| 1. | Independent Directors | Mr. M.L. Bhagat | Mr. Ravinder Nagpal | Mr. K.L. Chugh | Mr. Arvind Kapur | Ms. Archana Capoor | Mr. Arjun Sharma | |
| | (a) Fee for attending board committee meetings | 1.35 | 4.95 | 3.55 | 3.90 | 1.85 | 3.55 | |
| | (b) Commission | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | |
| | (c ) Others, please specify | - | - | - | - | - | | |
| | **Total B (1)** | **3.35** | **6.95** | **5.55** | **5.90** | **3.85** | **5.55** | **31.15** |
| 2. | Other Non Executive Directors | Mr. D. N. Davar | Mrs. Monica Davar | M/s GTI Investment | | | | |
| | (a) Fee for attending board committee meetings | 1.50 | 2.00 | 2.20 | - | - | | |
| | (b) Commission | 2.00 | 2.00 | - | - | - | | |
| | (c ) Others, please specify. | - | - | - | - | - | | |
| | **Total B (2)** | **3.50** | **4.00** | **2.20** | **-** | **-** | | **9.70** |
| | **Total (B)=(1+2)** | **6.85** | **10.95** | **7.75** | **5.90** | **3.85** | | **40.85** |
| | Ceiling as per the Act | Being 1% of Net profit of the Company computed as per Section 198 of the Act | | | | | | |
| 3. | **Total Remuneration Paid to Other Directors** | | | | | | | **40.85** |
| 4. | **Total Managerial Remuneration (A+B)** | | | | | | | **969.44** |
| | Overall Cieling as per the Act. | Being 11% of Net profit of the Company computed as per Section 198 of the Act | | | | | | |

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

| S. No | Particulars of Remuneration | Key Managerial Personnel | | |
|---|---|---|---|---|
| | **Gross Salary** | **CEO** | **Company Secretary** | **Total** |
| 1. | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961. | - | - | - |
| | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961 | - | - | - |
| | (c ) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961 | - | - | - |
| 2. | Stock Option | - | - | - |
| 3. | Sweat Equity | - | - | - |
| 4. | Commission as % of profit | - | - | - |
| | others, specify | - | - | - |
| 5. | Others, please specify | - | - | - |
| | **Total** | **-** | **-** | **-** |

## VII. Penalties/Punishment/Compounding of Offences

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority (RD/ NCLT/Court) | Appeall made if any (give details) |
|---|---|---|---|---|---|
| **A. COMPANY** | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |
| **B. DIRECTORS** | | | | | |
| Penalty | - | - | | | |
| Punishment | - | - | **NIL** | | |
| Compounding | - | - | | | |
| **C. OTHER OFFICERS IN DEFAULT** | | | | | |
| Penalty | - | - | - | - | - |
| Punishment | - | - | - | - | - |
| Compounding | - | - | - | - | - |

# Annexure V to Director Report, 2019

**Information pursuant to Section 197(12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

The ratio of the remuneration of each Director / Key Managerial Personnel (KMP) to the median remuneration of the employees of the Company for the financial year 2018-2019:

| S. No. | Name of Director/ KMP and Designation | Remuneration of Director/ KMP for Financial Year 2018-2019 (₹ in Lakhs) | % Increase in Remuneration in the Financial Year 2018-2019 | Ratio of remuneration of each Director/ to median remuneration of employees |
|---|---|---|---|---|
| 1. | Shri Jayant Davar (Co-Chairman & Managing Director) | 730.31/-* | 33.46% | 212 |
| 2. | Shri Arvind Joshi (Whole-Time Director, Chief Financial Officer & Company Secretary) | 198.28/-** | 25.87% | 57 |

*Inclusive of Commission provided and payable for an amount of ₹587.59 Lakhs/-

** Inclusive of Commission provided and payable for an amount of ₹76.01 Lakhs/-

The median remuneration of the employees of the Company during the financial year 2018-2019 was ₹3.44 Lakh

Percentage increase in the median remuneration of employees in the last financial year 2018-2019 was 10.12% as compared to the previous year.

No. of permanent employees as on 31st March, 2019 are 1850.

Average percentile increase in salaries of employees other than the managerial personnel and its comparison with the percentile increase in the managerial remuneration and justification thereof (and point out if there are any exceptional circumstances for increase in the managerial remuneration);

Average percentage increase in the salaries of employees other than managerial personnel in the financial year 2018-2019 was 10.19%; whereas the increase in the managerial remuneration in the financial year 2018-2019 was 31.76%.

The increase in compensation of employees is guided by factors such as, market trends, internal parity and is in line with the normal pay revisions which is linked to individual performance and the Company's performance.

It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

# Annexure VI to Director Report, 2019

**Annual Report on Corporate Social Responsibility (CSR) activities for the FY 2018-19**

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

**A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

The Company's CSR policy is focused on comprehensive development of the society preferably the communities located in rural and remote areas around the manufacturing units of the Company. The company believes in giving back to the society what it has taken from the society by making contribution to the social needs such as education and health care.

Sandhar Technologies Limited is making efforts towards building economic, social and environmental capital and enhancing social sustainability by contributing in the following areas:

- Education;
- Health Care;
- Environment protection;

- Promoting gender equality and empowerment of women;
- Promoting rural sports; and
- Others
- The detailed description is given in the CSR Policy of the Company.

**The CSR Committee of the Company has constituted on 14th Day of March, 2013 and the composition of the Committee is as follows:**

| S.No | Name of the Member | Nature of Directorship | Committee |
|---|---|---|---|
| 1. | Shri Jayant Davar | Co-Chairman and Managing Director | Chairman |
| 2. | Shri Arvind Kapur | Non-Executive Independent Director | Member |
| 3. | Shri Arvind Joshi | Whole Time Director, CFO and Company Secretary | Member |

(Rupees in lakhs, except share data, per share data and unless otherwise stated)

1. Average net profit of the company for last three financial years ₹6,455.53/-
2. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) ₹129.11/-
3. Details of CSR spent during the financial year
   (a) Total amount to be spent for the financial year ₹196.83/-
   (b) Amount unspent, if any ₹ Nil.

(c) Manner in which the amount spent during the financial year is detailed below:

| (1) S. No. | (2) CSR project or activity identified | (3) Sector in which the Project is covered | (4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken | (5) Amount outlay (budget) project or programs wise (₹) | (6) Amount spent on the projects or programs Sub - heads: (1) Direct expenditure on projects or programs (2) Overheads (₹) | (7) Cumulative expenditure upto to the reporting period (₹) | (8) implementing agency* |
|---|---|---|---|---|---|---|---|
| 1. | Sandhar Center of Learning | Promoting Education in Child & Women | Faridabad, Haryana | 29.83 | 29.83 | 29.83 | Khushii Kinship for Humanitarian Social and Holisilc Intervention |
| 2. | Sandhar Health Care | Promoting Preventive Health Care | Village Begampur Khatolagurgaon Haryana | 167 | 167 | 167 | Sandhar Foundation |
| 3. | Others | | | 0.00 | 0.00 | 0.00 | |
| | **Total** | | | **196.83** | **196.83** | **196.83** | |

**Responsibility Statement of the CSR Committee**

We hereby declares that the CSR policies of the Company are in consonance of the provision of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Act along with the amendments or modifications therein. Further the implementation and monitoring is in compliance with CSR objectives and Policy of the Company.

**Shri Jayant Davar**
(Chairman CSR Committee)

**Shri Arvind Joshi**
(Whole Time Director, Chief Financial Officer & Company Secretary)

# Annexure VII to Director Report, 2019

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

[Section 134(3) (m) of The Companies Act, 2013 read with Rule 8(3) of the Companies (Account) Rules, 2014]

## Energy Conservation, Technology Absorption (18-19)

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo Pursuant to section 134(3) (m) of Companies Act,2013 read with the Companies (Accounts) Rules, 2014

### A. Conservation of Energy

#### (i) Steps taken or impact on conservation of Energy

The Company has constantly been emphasizing an optimization of energy consumption in every possible area in its units. Various avenues are being explored at periodic interval and after careful analysis and planning measures are being initiated to minimise the consumption of energy by optimum utilization of energy consuming equipment. During the year under review, the following measures were initiated/ adopted for conservation and optimum utilization of energy.

a) Conversion of Conventional Sodium/CFL lights to LED lights in our 22 units

b) Various energy saving projects:

i) Air Compressor motor operation converted from Star delta to VFD for energy conservation.

ii) Conversion of Diesel burner into electrical heating in PDC Zinc bath.

iii) Changing the main compressed air PU pipe line with Aluminium pipe line for arresting air leakages.

iv) Installing timer and alarm system in Jig Coating Oven.

v) Installing Light Dependent Resistor (LDR) on street lights.

vi) VFD controlled Compressors in new projects.

vii) Monitoring & Interlocking of all machines for Idle Running & stopping for the same.

viii) Power Factor Improvement by installing APFC & CT panels.

ix) Sanction Load Reduction for Savings as per the present optimized condition.

x) Use of natural lights & Wind ventilators in most of the units & new projects as standard.

xi) Water conservation measures by Water balancing & using 90-95% efficient ETP system with Zero Liquid Discharge.

xii) Compressed Air conservation measures with FAD analysis & leakage control.

**IMPACT: 8, 97,099 Kwh overall**

#### (ii) Steps Taken for utilising alternate sources of Energy

a. Solar Plants installation total of 1814 Kwp in (18-19).

b. Solar Plants planned for new STL Units 930 Kwp in (19-20).

**IMPACT: 18, 50,270 Kwh overall**

#### (iii) Capital investment on Energy conservation equipment

**Total Investment: 1.85 Cr**

#### (iv) Green Initiatives

a) Co-processing of Paint Sludge instead of Landfilling for reducing the burden of hazardous waste disposal on Environment thereby saving ₹31 Lakhs per Annum.

b) Furnace fuel changed from HSD to LPG which is a cleaner and environment friendly source of fuel thereby saved ₹34 Lakhs per Annum.

c) Wet scrubber system installed in the processes like shot blasting etc for better environmental condition.

d) Feasibility Study of CNG/PNG gas (Clean fuel) use instead of Diesel in Oven.

e) Feasibility Study of Bio-gasifier (Clean fuel) use instead of Diesel in Oven.

### B. Technology Absorption

#### (i) Efforts made towards technology absorption:

a) Robotic technology used for Welding & Painting Process instead of manual process for better quality performance & to reduce wastages & by 20-22%.

b) Electrostatic technology used for Painting Systems. Net Efficiency increased from 30% to 65%.

### C. Foreign Exchange Earning and Outflow

The details of Foreign Exchange inflow and outflow are as under:

| | (₹ in Lakhs) |
|---|---|
| **Inflow:** | |
| - Sales (FOB) | 1,464.21 |
| - Sales against tools & dies | |
| **Total** | **1,464.21** |
| **Outflow** | |
| On Capital Equipment | 3,893.68 |
| On Know-how | 695.18 |
| **Others** | |
| Raw Materials | 15,711.32 |
| Consumables & Spares | 417.90 |

# COMPLIANCE CERTIFICATE UNDER REGULATION 17(8) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

**The Members,**
**Sandhar Technologies Limited**
B-6/20 L.S.C. Safdarjung Enclave,
New Delhi-110029

**Sub.: Compliance Certificate under Regulation 17(8) read with Part B of Schedule II to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

This is to certify that for the financial year ended 31st March, 2019:

1. We have reviewed the financial statements and the cash flow statement for the year as aforesaid and to the best of our knowledge and belief:

    a) These financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

    b) These statement's together present a true and fair view of the Company's affairs and are in compliance with Indian Accounting Standards (Ind AS), applicable laws and regulations;

2. To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct for Directors and Employees;

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems for financial reporting of the Company and there were no deficiencies in the design or operation of such internal controls; and

4. We have indicated to the Auditors and the Audit Committee:

    a) That there were no significant changes in internal control, over financial reporting, during the year;

    b) All significant changes in the accounting policy during the year, if any, have been disclosed in the notes in respective place in the financial statements; and

    c) There were no instances of fraud, of which we have become aware of.

**FOR SANDHAR TECHNOLOGIES LIMITED**

**Shri Jayant Davar**
(Chairman CSR Committee)

**Shri Arvind Joshi**
(Whole Time Director, Chief Financial Officer & Company Secretary)

# DECLARATION BY MANAGING DIRECTOR

**The Members,**
**Sandhar Technologies Limited**
B-6/20 L.S.C. Safdarjung Enclave,
New Delhi-110029

**Sub: Declaration regarding compliance with the Company's Code of Conduct for Directors and Employees.**

**Ref.: Regulation 34(3) read with Part D of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

I, Jayant Davar, Managing Director of Sandhar Technologies Limited, hereby declare that all the members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct for Directors and Employees of the Company.

**FOR SANDHAR TECHNOLOGIES LIMITED**

Sd/-
**Jayant Davar**
Managing Director

# PRACTICING COMPANY SECRETARY'S CERTIFICATE ON CORPORATE GOVERNANCE

**The Members,**
**Sandhar Technologies Limited**
B-6/20 L.S.C. Safdarjung Enclave,
New Delhi-110029

We have examined the compliance of conditions of corporate governance by Sandhar Technologies Limited (hereinafter referred "the Company"), for the year ended on 31st March, 2019 as stipulated in relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosures requirements) Regulations, 2015.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Regulations, as applicable.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company

**For M/s K.K. Sachdeva & Associates, Practicing Company Secretaries**

Sd/-
**K.K. Sachdeva**
[Proprietor]
FCS No. 7153
CP No. 4721

# REPORT ON CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) vide its notification no. SEBI/LAD-NRO/GN/2015-16/013 dated 2nd September, 2015, notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"). This report elucidates the systems and processes followed by Sandhar to ensure compliance of corporate governance requirements under the Listing Regulations and the Companies Act, 2013 ("Act").

The Listing Regulations became applicable to the Company w.e.f. 02nd April, 2018, i.e. the date when the Equity Shares of face value of ₹10/- of the Company got listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). The information stated herein pertains to the financial year 2018-2019.

## I. Philosophy:

Your Company is committed to set the highest standards of Corporate Governance right from its inception benchmarked with the best in class practices across the globe. Effective Corporate Governance is the manifestation of professional beliefs and values, which configures the organizational values, credo and actions of its employees. Transparency and accountability are the fundamental principles to sound Corporate Governance, which ensures that the organization is managed and monitored in a responsible manner for 'creating and sharing value'. It is the key element to carry on business operations based on the underlying principles of integrity, ethics, transparency and accountability. Systems and policies are required to be upgraded regularly, to meet the challenges of rapid growth in a dynamic business environment.

We believe that there is a need to view Corporate Governance as more than just regulatory requirements as there exists a fundamental link with the organization of business, corporate responsibility and shareholder's wealth maximization. Therefore, your Company is articulating a multi-stakeholder model (including shareholder value) of accountability that will manage the symbolic relationship between the various stakeholders. This approach will be central to the day-to-day functioning of your Company and in implementation of its business strategy.

We firmly believe that strong governance principles provide a nucleus for sustained value creation and build stronger bonds that safeguard interests of all stakeholders. Your Company's core philosophy revolves around Growth, Motivation and a Better Life. All employees of the Company are guided by the seven core values i.e. Spirit of accomplishment, Appropriate attitude, Never dying passion for excellence, Dynamic, Honest, Accountable and Reliable. These have been instilled in our corporate culture which is directed towards continuously improving the Corporate Governance framework and work ethos of your Company. At Sandhar, the Board of Directors (the 'Board') are at the core of our Corporate Governance practices and oversees how the Management serves and protects the long-term interests of our stakeholders. Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company. The philosophy on corporate governance is well observed and forms part of the Company's Code of Conduct for Directors and Employees.

The Company is in compliance with the requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as applicable, with regard to Corporate Governance.

## II. Board of Directors:

**Composition:**

The composition of Board of Directors of the Company is governed by the relevant provisions of the Companies Act, 2013 and rules made thereunder, Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and all other applicable laws and in accordance with the best practices in Corporate Governance.

The Corporate Governance philosophy of your Company establishes that the Board's independence is essential to bring objectivity and transparency in the Management and in the dealings of the Company.

As of 31st March, 2019, the Board of Directors comprises of 10 (ten) Directors, being a Non-Executive, Non-Independent Chairman, 6 Independent Directors, 1 Non-Executive Non-Independent Director, 1 Executive Director and Managing Director & Co-Chairman. The composition of Board of Directors represents optimal mix of professionalism, qualification, knowledge, skill sets, track record, integrity, expertise and diversity of experience as required in the automotive components business. The Board reviews its strength and combination from time to time to ensure that it remains aligned with the statutory as well as business requirements.

**Further, as on 31st March, 2019:**

1. None of the Directors on the Board held Directorships in more than ten Public Companies;
2. None of the Directors on the Board, was a member of more than ten committees, across all public limited companies in which he/she is a Director; and
3. None of the Directors of the Company was a chairman of more than five committees across all public limited companies in which he/she is a director.

For the purpose of sub-paragraphs (ii) and (iii) above, chairmanship/ membership of only the audit committee and/or the stakeholders' relationship committee have been considered.

Shri Dharmendar Nath Davar, Chairman, Shri Jayant Davar, Co-Chairman & Managing Director and Smt. Monica Davar Non- Executive Director of the Company are relatives in terms of the Act.

**Composition of Board of Directors as on 31st March, 2019:-**

| Name of Director | Designation | Category |
|---|---|---|
| Shri. Dharmendar Nath Davar (DIN : 00002008) | :Non- Executive Director & Chairman | Promoter |
| Shri. Jayant Davar (DIN: 00100801) | :Executive Director & Co-Chairman & Managing Director | Promoter |
| Smt. Monica Davar (DIN : 00100875) | :Non-Executive Director | Promoter |
| Shri. Arvind Joshi (DIN:01877905) | :Executive Director & Whole-Time Director, Chief Financial Officer & Company Secretary | Non-Promoter |
| Shri. Mohan Lal Bhagat (DIN: 00699750) | :Non-Executive Independent Director | Non-Promoter |
| Shri. Ravinder Nagpal (DIN: 00102970) | :Non-Executive Independent Director | Non-Promoter |
| Shri. Krishan Lal Chugh (DIN: 00140124) | :Non-Executive Independent Director | Non-Promoter |
| Shri. Arvind Kapur (DIN: 00096308) | :Non-Executive Independent Director | Non-Promoter |
| Shri. Arjun Sharma (DIN: 00003306) | :Non-Executive Independent Director | Non-Promoter |
| Smt. Archana Capoor[1] (DIN: 01204170) | :Non-Executive Independent Director | Non-Promoter |

**Notes:**

1. Smt. Archana Capoor, appointed as Additional Director (Non-Executive Independent Director) on the Board of the Directors of the Company on and with effect from 05th November, 2018 subject to regularisation as Non-Executive Independent Director of the Company in the ensuing Annual General Meeting of the Company.

**Independent Directors**

Independent Directors are Non-Executive Directors as defined under Regulation 16(1) (b) of the SEBI Listing Regulations read with Section 149(6) of the Act. The maximum tenure of Independent Director is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned under Regulation 16(1) (b) of the SEBI Listing Regulations read with Section 149(6) of the Act.

Not less than one-half of the Board of Directors of the Company comprises of Non-Executive Independent Directors.

As on March 31, 2019, the Company had 6 Independent Directors on Board. In relation to such Independent Directors, it is hereby confirmed that:

(i) All of the Independent Directors of the Company, hold office for a term of up to 5 consecutive years and are eligible for reappointment for another term of up to 5 consecutive years on passing of a special resolution by the Company.

(ii) The Company has issued a formal letter of appointment to all Independent Directors in a manner provided under the Companies Act, 2013.

(iii) The Nomination, Remuneration and Compensation Committee of the Board has laid down the evaluation criteria for performance evaluation of the Independent Directors.

(iv) During the year, the Independent Directors of the Company held separate meeting, without the attendance of Non Independent Directors of the Company or members of its Management on 02nd February, 2019, wherein only the Independent Directors of the Company were present.

(v) None of the Independent Directors of the Company serve as an Independent Director in more than seven companies listed in India;

(vi) None of the Independent Directors of the Company who also serve as Whole Time Directors in any other listed company, serve as an Independent Director in more than three companies listed in India.

**Meetings of the Board**

The Board met 4 (Four) times during the Financial Year 2018-19 and there has not been a time gap of more than 120 days between any two meetings of the Board.

Directors' attendance at the Board Meetings held during the year as well as at the last Annual General Meeting (AGM) are given herein below:

| S. No | Quarter / Date of Meeting / Director Name | Designation | I 26.05.2018 | II 04.08.2018 | III 05.11.2018 | IV 02.02.2019 | No. of total meetings attended | Attendance at last AGM |
|---|---|---|---|---|---|---|---|---|
| 1. | Shri. D.N. Davar | Non- Executive Director & Chairman | √ | LOA | √ | √ | 3 | √ |
| 2. | Shri. Jayant Davar | Executive Director & Co-Chairman & Managing Director | √ | √ | √ | √ | 4 | √ |
| 3. | Shri. Arvind Joshi | Executive Director & Whole-Time Director, Chief Financial Officer & Company Secretary | √ | √ | √ | √ | 4 | √ |
| 4. | Smt. Monica Davar | Non-Executive Director | √ | √ | √ | √ | 4 | x |
| 5. | Shri. Mohan Lal Bhagat | Non-Executive Independent Director | √ | √ | LOA | LOA | 2 | x |
| 6. | Shri. Ravinder Nagpal | Non-Executive Independent Director | √ | √ | √ | √ | 4 | x |
| 7. | Shri. Krishan Lal Chugh | Non-Executive Independent Director | √ | √ | √ | √ | 4 | √ |
| 8. | Shri. Arvind Kapur | Non-Executive Independent Director | √ | √ | √ | √ | 4 | x |
| 9. | Shri. Gaurav Dalmia[1] | Non-Executive Independent Director | √ | √ | √ | NA | 3 | x |
| 10. | Shri. Arjun Sharma | Non-Executive Independent Director | √ | √ | √ | √ | 4 | √ |
| 11. | Smt. Archana Capoor[2] | Non-Executive Independent Director | NA | NA | NA | √ | 1 | NA |
| | **Board Strength** | | 10 | 10 | 10 | 10 | | |
| | **Total Present** | | 10 | 9 | 9 | 9 | | |
| | **Absent** | | 0 | 1 | 1 | 1 | | |

**Notes:**

1 Shri Gaurav Dalmia, Non-Executive Independent Director of the Company has resigned from the Board of the Company on and with effect from 11th December, 2018.

2 Smt. Archana Capoor, appointed as Additional Director (Non-Executive Independent Director) on the Board of the Directors of the Company on and with effect from 05th November, 2018 subject to regularisation as Non-Executive Independent Director of the Company in the ensuing Annual General Meeting of the Company

**Disclosure of relationships between Directors inter-se;**

Shri Dharmendar Nath Davar, Chairman, Shri. Jayant Davar, Co-Chairman & Managing Director and Smt. Monica Davar Non- Executive Director of the Company are relatives in terms of the Act.

**Other Directorships, Chairmanships and Memberships of the Board members**

**(a) Table indicating details of Directors serving directorships in other listed entities as on 31st March, 2019**

| S.No | Name of the Director | Name of listed entity | Category of directorship |
|---|---|---|---|
| 1 | Dharmendar Nath Davar | Maral Overseas Limited | Independent Director |
| | | Titagarh Wagons Limited | Independent Director |
| | | RSWM Limited | Independent Director |
| | | Dalmia Bharat Limited | Independent Director |
| | | HEG Limited | Independent Director |
| 2 | Jayant Davar | Jagran Prakashan Limited | Independent Direc3tor |
| 3 | Mohan Lal Bhagat | Wires and Fabriks (SA) Ltd | Independent Director |
| 4 | Krishan Lal Chugh | Gati Limited | Independent Director |
| 5 | Arvind Kapur | Rico Auto Industries Limited | Managing Director |
| | | Subros Limited | Independent Director |
| 6 | Archana Capoor | RSWM Limited | Independent Director |
| | | Maral Overseas Limited | Independent Director |
| | | S Chand And Company Limited | Independent Director |
| | | Birla Cable Limited | Independent Director |
| | | EMCO Limited | Independent Director |

**(b) Table indicating details number of Directorships and Committee Chairmanships / Memberships held by the Directors of the Company in other public limited companies as on March 31, 2019:**

| Name of the Director | Designation | No. of Directorship in listed entities including this listed entity | No. of memberships in Audit/ Stakeholder Committee(s) including this listed entity | No. of post of Chairperson in Audit/ Stakeholder Committee held in listed entities including this listed entity |
|---|---|---|---|---|
| Shri. D.N. Davar | Non-Executive Director & Chairman | 6 | 6 | 2 |
| Shri. Jayant Davar | Executive Director & Co-Chairman & Managing Director | 2 | 0 | 0 |
| Shri. Arvind Joshi | Executive Director & Whole-Time Director, Chief Financial Officer & Company Secretary | 1 | 1 | 0 |
| Smt. Monica Davar | Non-Executive Director | 1 | 0 | 0 |
| Shri. Mohan Lal Bhagat | Non-Executive Independent Director | 2 | 1 | 0 |
| Shri. Ravinder Nagpal | Non-Executive Independent Director | 1 | 1 | 1 |
| Shri. Krishan Lal Chugh | Non-Executive Independent Director | 2 | 0 | 0 |
| Shri. Arvind Kapur | Non-Executive Independent Director | 3 | 2 | 0 |
| Smt Archana Capoor | Non-Executive Independent Director | 6 | 2 | 0 |
| Shri. Arjun Sharma | Non-Executive Independent Director | 1 | 1 | 1 |

Other Directorships do not include Directorships of private limited companies, foreign companies and companies under Section 8 of the Act. For the purpose of determination of limit of the Board Committees, chairpersonship and membership of the Audit Committee and Stakeholders' Relationship Committee have been considered as per Regulation 26(1) (b) of SEBI Listing Regulations.

**Details of Equity Shares of the Company held by the Directors as on 31st March, 2019:**

| Name | Designation | Number of equity shares |
|---|---|---|
| Shri Dharmendar Nath Davar | Non- Executive Director & Chairman | 839,582 |
| Shri Jayant Davar | Executive Director & Co-Chairman & Managing Director | 3,13,41,348 |
| Smt. Monica Davar | Non-Executive Director | 2,622,725 |
| Shri Arvind Joshi | Executive Director & Whole-Time Director, Chief Financial Officer & Company Secretary | 45 |
| Shri Arjun Sharma | Non-Executive Independent Director | Nil |
| Shri Arvind Kapur | Non-Executive Independent Director | Nil |
| Shri K.L. Chugh | Non-Executive Independent Director | Nil |
| Smt. Archana Capoor | Non-Executive Independent Director | Nil |
| Shri Ravinder Nagpal | Non-Executive Independent Director | Nil |
| Shri M.L. Bhagat | Non-Executive Independent Director | Nil |

**Convertible Instrument**

The Company has not issued any convertible instruments during the year.

## III. Board Committees

The Board has constituted various Committees of Directors to monitor the activities in accordance with Board approved terms of reference. The Board Committees focus on specific areas and take informed decisions on the specific businesses assigned to them in the best interest of the Company.

The Committees also make specific recommendations to the Board on various matters whenever required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval. The Company Secretary adheres to all the applicable laws and regulations for conducting the meeting of the Committees as adhered to the Board meetings. Some of the Committees of the Board were reconstituted to align with the provisions of the Companies Act, 2013, Listing Regulations and to meet the business requirements during the year under review. The terms of reference of the Board Committees are reviewed from time to time atleast annually to align the same with the regulatory/business requirements. The

Company has Six Board Committees as on 31st March, 2019, which are briefly described below:

**A. Audit Committee**

The primary objective of the Audit Committee is to act as a catalyst in helping the Company to achieve its objectives by overseeing the Integrity of the Company's Financial Statements; Adequacy & reliability of the Internal Control Systems of the Company; Compliance with legal & regulatory requirements and the Company's Code of Conduct; Performance of the Company's Statutory & Internal Auditors.

Audit Committee monitors & provides an effective supervision of the financial reporting process of the Company with a view to ensure accurate and timely disclosures with the highest level of transparency, integrity and quality.

**a) Terms of Reference:**

The Audit Committee was constituted by a meeting of the Board of Directors held on 31st May, 2010, the composition was altered by a circular resolution of the Board of Directors on 21st February, 2018 and then again reconstituted by a meeting of the Board of Directors held on 26th May, 2018 and by a circular resolution of the Board of Directors on 19th December, 2018. Our Company Secretary is the secretary of the Audit Committee. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI Listing Regulations and its terms of reference include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
5. Matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
6. changes, if any, in accounting policies and practices and reasons for the same;
7. major accounting entries involving estimates based on the exercise of judgment by management;
8. Significant adjustments made in the financial statements arising out of audit findings;
9. compliance with listing and other legal requirements relating to financial statements;
10. Disclosure of any related party transactions;
11. Modified opinion(s) in the draft audit report
12. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
13. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter
14. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process
15. Approval or any subsequent modification of transactions of the Company's with related parties;
16. Scrutiny of inter-corporate loans and investments
17. Valuation of undertakings or assets of the listed entity, wherever it is necessary
18. Evaluation of internal financial controls and risk management systems
19. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
20. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
21. Discussion with internal auditors of any significant findings and follow up there on
22. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
23. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
24. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
25. To review the functioning of the whistle blower mechanism
26. Approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate

27. Carrying out any other function as is mentioned in the terms of reference of the audit committee

28. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

29. Review management discussion and analysis of financial condition and results of operations;

30. Review statement of significant related party transactions (as defined by the audit committee), submitted by management;

31. Review management letters / letters of internal control weaknesses issued by the statutory auditors;

32. Review internal audit reports relating to internal control weaknesses; and

33. Review the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.

34. Review statement of deviations:

35. Review quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

36. Review annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7)

37. Internal detailed review of the setup, procedures, systems, controls & organizational effectiveness of Sandhar Technologies Barcelona be arranged and the report be brought before the Audit Committee & the Board.

38. To review compliance with the provisions of Insider Trading Regulations at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.

The Audit Committee is required to meet at least four times in a year under Regulation 18 of the SEBI Listing Regulations.

The Chairman of the Audit Committee is a Non-Executive Independent Director of the Company.

### b) Composition, Meetings & Attendance during the year

As on 31st March, 2019, the Audit Committee comprised of 3 members majority of them being Independent Directors in compliance with the provisions of Section 149 of the Companies Act, 2013 and Regulation 16 of the SEBI Listing Regulations. During the year under review, 4 (four) Audit Committee meetings were held and the time gap between any two meetings was less than 120 days.

The details of the Audit Committee meetings held during 2018-2019 are given as under:

| S. No | Quarter<br>Date of Meeting<br>Member Name | Designation on Committee | Designation on Board | I<br>26.05.2018 | II<br>04.08.2018 | III<br>05.11.2018 | IV<br>02.02.2019 | No. of total meetings attended |
|---|---|---|---|---|---|---|---|---|
| 1. | Shri Ravinder Nagpal | Chairman | Non-Executive Independent Director | √ | √ | √ | √ | 4 |
| 2. | Shri Arvind Kapur | Member | Non-Executive Independent Director | √ | √ | √ | √ | 4 |
| 3. | Shri M.L. Bhagat | Member | Non-Executive Independent Director | √ | √ | NA | NA | 2 |
| 4. | Shri Gaurav Dalmia | Member | Non-Executive Independent Director | NA | NA | √ | NA | 1 |
| 5. | Smt. Archana Capoor | Member | Non-Executive Independent Director | NA | NA | NA | √ | 1 |
| | **Total no. of Members** | | | **3** | **3** | **3** | **3** | |
| | **Total Present** | | | **3** | **3** | **3** | **3** | |
| | **Absent** | | | 0 | 0 | 0 | 0 | |

**Notes:**

- Shri Gaurav Dalmia, Non-Executive Independent Director of the Company has resigned from the Board of the Company on and with effect from 11th December, 2018. Hence was entitled to attend Audit Committee Meetings held till such date.
- Smt. Archana Capoor, appointed as Additional Director (Non-Executive Independent Director) on the Board of the Directors of the Company on and with effect from 05th November, 2018 subject to regularisation as Non-Executive Independent Director of the Company in the ensuing Annual General Meeting of the Company
- The necessary quorum was present for all the meetings.

In addition to the members of the Audit Committee, these meetings were attended by Chairman of the Board, Co-Chairman & Managing Director, Whole Time Director, Chief Financial Officer & Company Secretary, Statutory Auditor, Internal Auditor and/or their representatives, wherever necessary and by such executives of the Company as were considered necessary for providing inputs to the Committee.

**B. Nomination & Remuneration Committee**

The constitution and the terms of reference of the Nomination & Remuneration Committee ("NRC") are in compliance with the provisions of Section 178(1) of the Companies Act, 2013 and Regulation 19 of the SEBI Listing Regulations.

**a) Terms of Reference:**

The Nomination and Remuneration Committee was originally constituted as "Remuneration Committee" by a meeting of the Board of Directors held on 23rd July, 2005 and the composition was altered by a circular resolution of the Board of Directors on 21st February, 2018. The name of the committee and the terms of reference were changed on 23rd May, 2014 and its terms of reference include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees
2. Formulation of criteria for evaluation of performance of independent directors, board of directors, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance
3. Devising a policy on diversity of board of directors;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. Recommend to the board, all remuneration, in whatever form, payable to senior management.
7. To develop a succession plan for the Board and to regularly review the plan.

**b) Composition, Meetings & Attendance during the year**

The details of its composition and of the meetings held during the Financial Year 2018-2019 are as under:

| S. No | Member Name | Designation on Committee | Designation on Board | Three Meeting held in the Financial Year 2018-2019 | | | No. of total meetings attended |
|---|---|---|---|---|---|---|---|
| | | | | 26.05.2018 | 05.11.2018 | 02.02.2019 | |
| 1. | Shri K.L. Chugh | Chairman | Non-Executive Independent Director | √ | √ | √ | 3 |
| 2. | Shri Ravinder Nagpal | Member | Non-Executive Independent Director | √ | √ | √ | 3 |
| 3. | Shri Arjun Sharma | Member | Non-Executive Independent Director | √ | √ | √ | 3 |
| | **Total no. of Members** | | | **3** | **3** | **3** | |
| | **Total Present** | | | **3** | **3** | **3** | |
| | **Absent** | | | **0** | **0** | **0** | |

**Notes:**

- The necessary quorum was present for all the meetings

**C. Stakeholders' Relationship Committee**

The Board has constituted a Stakeholders' Relationship Committee pursuant to Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI Listing Regulations, to look into the redressal of grievances of shareholders and other security holders, if any.

**a) Terms of Reference**

The Stakeholders' Relationship Committee was constituted by the Board of Directors at their meeting held on September 3, 2015. The Committee was reconstituted by the Board at its meeting held on 29th March, 2018, for co-option of Shri Arjun Sharma as a chairman & Shri Arvind Kapur as a member in place of Shri Dharmendar Nath Davar, chairman and Shri Jayant Davar, member in the Committee. The terms of reference of the Stakeholders' Relationship Committee of our Company include the following:

1. Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.

4. Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

5. Giving effect to all transfer/transmission of shares and debentures, dematerialization of shares and rematerialisation of shares, split and issue of duplicate/ consolidated share certificates, allotment and listing of shares, buy back of shares, compliance with all the requirements related to shares, debentures and other securities from time to time;

6. Oversee the performance of the registrars and share transfer agents of the Company and to recommend measures for overall improvement in the quality of investor services and also to monitor the implementation and compliance of the code of conduct for prohibition of insider trading pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015, and other related matters as may be assigned by the board of directors; and carrying out any other function as prescribed under the SEBI (LODR), 2015 and as may be delegated by the Board of Directors.

### b) Composition

As on 31st March, 2019, the Committee comprised following directors as members:

| S. No | Member Name | Designation on Committee | Designation on Board |
|---|---|---|---|
| 1. | Shri Arjun Sharma | Chairman | Non-Executive Independent Director |
| 2. | Shri Arvind Kapur | Member | Non-Executive Independent Director |
| 3. | Shri Arvind Joshi | Member | Wholetime Director, Chief Financial Officer & Company Secretary |

### c) Meetings and attendance

The Committee did not convene any meeting during the financial year 2018-2019.

### d) Compliance Officer

Shri Arvind Joshi, Whole-Time Director, Chief Financial Officer & Company Secretary is the Compliance Officer of the Company.

Number of Shareholders' Complaints received during the Financial Year 2018-2019: **NIL**

Number of Shareholders' Complaints not solved to the satisfaction of Shareholders: **NIL**

Number of Pending Complaints as on 31st March, 2019: **NIL**

## D. Other Committees

### (A) Corporate Social Responsibility (CSR) Committee:

In accordance with the requirements of the Section 135 of the Companies Act, 2013, the Board has constituted a Corporate Social Responsibility Committee to assist the Board in setting the Company's Corporate Social Responsibility Policy and assessing its Corporate Social Responsibility performance.

#### (a) Terms of Reference

The Corporate Social Responsibility Committee was constituted by our Board on 14th March, 2013, the composition was altered by a circular resolution on 21st February, 2018 and again reconstituted by resignation of Shri Gaurav Dalmia from the Board w.e.f. 11th December, 2018. The scope and functions of the Corporate Social Responsibility Committee is in accordance with Section 135 of the Companies Act, 2013. The terms and reference of the Corporate Social Responsibility Committee include the following:

1. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by our Company as per the Companies Act, 2013.

2. Review and recommend the amount of expenditure to be incurred on activities to be undertaken by our Company.

3. Monitor the Corporate Social Responsibility Policy of our Company and its implementation from time to time; and

4. Any other matter as the Corporate Social Responsibility Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.

b) **Composition**

As on 31st March, 2019, the Committee comprised following directors as members:

| S. No | Member Name | Designation on Committee | Designation on Board |
|---|---|---|---|
| 1. | Shri Jayant Davar | Chairman | Co-Chairman & Managing Director |
| 2. | Shri Arvind Kapur | Member | Non-Executive Independent Director |
| 3. | Shri Arvind Joshi | Member | Whole-Time Director, Chief Financial Officer & Company Secretary |

c) **Meetings**

The details of the Corporate Social Responsibility Committee meetings held during 2018-2019 are given as under:

| S. No | Quarter<br>Date of Meeting<br>Member Name | Designation on Committee | Designation on Board | IV<br>02.02.2019 | No. of total meetings attended |
|---|---|---|---|---|---|
| 1. | Shri Jayant Davar | Chairman | Co-Chairman & Managing Director | √ | 1 |
| 2. | Shri Arvind Kapur | Member | Non-Executive Independent Director | √ | 1 |
| 3. | Shri Arvind Joshi | Member | Whole-Time Director, Chief Financial Officer & Company Secretary | √ | 1 |
| | Total no. of Members | | | 3 | |
| | Total Present | | | 3 | |
| | Absent | | | 0 | |

**(B) Finance Committee:**

The Finance Committee was constituted by our Board on 02nd February, 2019. The terms and reference of the Finance Committee include the following:

1. Review, at least annually, the Company's strategic plans and financial strategies and make recommendations to the Board in respect thereof.

2. Review and make recommendations to the Board regarding the Company's cash flow, capital expenditures and financing requirements;

3. Review and make recommendations to the Board regarding the Company's scope and mix of business, acquisition and merger opportunities and the purchase of business assets and financing thereof;

4. Review the Company's policies with respect to financial risk assessment and management including investment strategies and guidelines;

5. Annually review the scope, cost and basic terms of the Company's insured risk management programs including general liability, D&O, property and other insurance policies;

6. Review the Company's foreign exchange & commodities risk management and exposure;

7. Review periodically the scope of this Committee and make recommendations to the Board regarding any changes thereto; and

8. Take such other actions as the Committee from time to time may determine are necessary to fulfill its duties or are otherwise required by applicable law, the Company's charter or Bylaws or the Board.

9. To open Current / Cash Credit / Overdraft / Fixed Deposit and other accounts with any Scheduled Bank and authorize its officials to operate the same and vary, amend and modify the existing authorization to operate accounts of the Company with its Bankers and to issue instructions for closure of its operated accounts.

10. To authorize one or more Directors/Officers of the Company to execute and sign the documents with Banks in relation to any loan or credit facility availed of or to be availed of by the Company.

11. To authorize and appoint any Attorney(ies), Agent(s), Representative(s) of the Company to represent the interest of the Company in the manner and to the extent of Powers/ Authorities as may be given, matter handled/to be handled by him.

a) **Composition**

As on 31st March, 2019, the Committee comprised following directors as members:

| S. No | Member Name | Designation on Committee | Designation on Board |
|---|---|---|---|
| 1. | Shri Dharmendar Nath Davar | Chairman of the Committee | Chairman |
| 2. | Shri Jayant Davar | Member | Co-Chairman & Managing Director |
| 3. | Shri Arvind Joshi | Member | Whole-Time Director, Chief Financial & Company Secretary |

b) **Meetings and attendance**

The Committee did not convene any meeting during the financial year 2018-2019.

### (C) Share Transfer & Allotment Committee:

As on 31st March, 2019, the Committee comprised following directors as members:

| S. No | Member Name | Designation on Committee | Designation on Board |
|---|---|---|---|
| 1. | Shri Jayant Davar | Chairman | Co-Chairman & Managing Director |
| 2. | Smt. Archana Capoor | Member | Non-Executive, Independent Director |
| 3. | Shri Arvind Joshi | Member | Whole-Time Director, Chief Financial & Company Secretary |

The Committee did not convene any meeting during the financial year 2018-2019.

## IV. Remuneration Policy of Directors

The Company has a Board approved Remuneration Policy for Directors including Co-Chairman & Managing Director and is being reviewed on an annual basis. The details of the said policy are as follows:

### A. Remuneration of Executive Directors

The remuneration of the Managing Director and Wholetime Director (Executive Directors) is recommended by the Nomination & Remuneration Committee (the "N&RC") to the Board for approval after considering the following factors, inter-alia:

a) Function, role and responsibilities assigned;

b) Benchmarking the same with the peers in the identical/ similar industry;

c) Industry benchmarking;

d) Performance in the past and contribution to the long term strategies.

The Board considers the recommendations of N&RC and approves the remuneration, with or without modifications, subject to shareholders' and regulatory approvals. In the event of inadequacy of profit, the remuneration is regulated by Schedule V of the Companies Act, 2013 otherwise, to require the approval of the Central Government.

### B. Remuneration of Non-Executive Directors

#### (i) Sitting Fees & Reimbursement of expenses

The NEDs are paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, Listing Regulations and other regulatory/statutory guidelines, as amended from time to time. Any change in sitting fees shall be recommended by the N&RC and approved by the Board of Directors of the Company. The N&RC considers the following factors while recommending the change in the sitting fees to the Board:

1. Contribution expected from Directors considering size and complexity of organization,
2. Comparison with the peers in the identical/similar industry/benchmarking,
3. Regulatory guidelines as applicable, etc. The NEDs are entitled to reimbursement of expenses for participation in the meeting of the Board and Committees thereof.

The Board while approving the revision in the sitting fees payable to Directors for attending the meeting of the Board and Committees thereof, considers the recommendation of the N&RC.

#### (ii) Payment of Profit-based Commission to Non- Executive Directors

The Non- Executive Directors of the Company are paid profit based yearly commissions in accordance with the provisions of the Companies Act, 2013 subject to a maximum of 1% of the Net profits, over and above any fees and reimbursements payable to the NEDs, pursuant to the shareholders' resolution. The N&RC commends to the Board for such commission and the same is recommended by the Board for shareholders' approval for a period of five years and are renewed for a further period of five years.

**(ii) Pecuniary transactions with Non- Executive Directors**

During the year under review, there were no pecuniary transactions with any of the NEDs of the Company. The register of contracts is maintained by the Company under Section 189 of the Act and the same is placed before the Board for approval from time to time. The register so placed before the Board is signed by all the directors present at such meetings.

**(iii) Details of remuneration to directors**

The Company has no stock option plans for the directors and hence, it does not form part of the remuneration package payable to any Executive (Whole Time) and/or Non-Executive Director. During the year, the Company did not advance any loan to any of the executive and/or non-executive directors and the details of remuneration paid/payable to directors during 2018-2019 are provided in an **annexure to the Board's Report in Form MGT-9,** extract of the Annual Return.

## V. (a) Familiariasation Programme for Board Members

The Board of Directors has adopted a familiarization programme for its Independent Directors in accordance with Regulation 25 of the SEBI Listing Regulations. The aim of such Familiarisation Programme would be to familiarize Independent and other Directors of the Company to enable them to familiarize with the Company, its management, their roles, rights, responsibilities in the Company, nature of the auto component Industry, Business Model, Risk Management System, ERP systems encompassing Asset Management, Human Capital Management, Product Life Cycle Management, technology architecture and Information Security/ Cyber Security Awareness of the Company for the purpose of contributing significantly towards the growth of the Company.

During the financial year, Company familiarized the Directors on the Company's policies and procedures on a regular basis. Presentations/briefings were also made at the meeting of the Board of Directors/Committees by KMP's/ senior executives of the Company on industry scenario, Company's operating and financial performance, industrial relations status, marketing strategies, risk management etc.

The details of the familiarization programme of the Independent Directors are available on the website of the Company www.sandhargroup.com

## V. (B) Skills / Expertise / Competence of Directors:

The Directors of the Company collectively bring with them a wide range of skills, expertise and competence with their rich experience, which enhances the quality of the Board's decision making process. The Company believes that building a diverse and inclusive culture is integral to its success. A diverse Board is able to leverage different skills, qualifications, professional experiences, perspectives and backgrounds, which is necessary for achieving sustainable and balanced growth of an organisation. The skills / expertise / competence of Directors are in the fields of:

1. Accountancy;
2. Economics;
3. Finance;
4. Law;
5. Information Technology;
6. Business Management;
7. Risk Management;
8. Human Resource; and
9. Technical knowledge of the auto component industry.

The Company's Board comprises professionals from different backgrounds. They bring on board perspective from different domains and these effectively contribute in enhancing functioning of the Board.

## VI. Information Supplied/Available to The Board

The Directors are presented with important/critical information on the operations of the Company as well as that which requires deliberations at the highest level. The Board has complete access to all the relevant information within the Company and also access to the senior management of the Company and any additional information to make informed and timely decisions. All Board and Committee meetings are governed by structured agenda notes which are backed by comprehensive background along with relevant annexures.

The Board was presented with the information on various important matters of operations, risk management and business, new initiatives in business, budgets, financial results, update on Corporate Social Responsibility activities, minutes of Board and Committees of the Board, appointment and remuneration of the senior management, appointment/cessation of Key Managerial Personnel, details of joint ventures or collaborations, if any, information on subsidiaries, sale of investments, assets which are material in nature and not in the normal course of business, foreign exposure and non-compliance, if any with regulatory or statutory guidelines or in the Listing Regulations, etc., and other matters which are required to be placed before the Board in terms of the Companies Act, 2013, Listing Regulations. The Board and other Committees also approve various business proposals and regulatory approvals through circulations.

## VII. Post Meeting Communication / Follow up System

The Company has an effective post meeting follow up procedure. The Company has a mechanism to track important decisions taken at the Board/Committee meetings till the closure of such decisions and a report on ongoing actionables (Action Taken Report) are being placed before the meeting of the Board/ Committees of the Board from time to time. Action Taken Report on the decisions taken in a meeting is placed at the succeeding meeting(s) of the Board/ Board Level Committees.

## VIII. Material Subsidiaries

In terms of the requirement of the Policy on Material Subsidiaries, a subsidiary shall be considered as unlisted material subsidiary if its income or net worth exceeds ten (10) % of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

During the year, the Company has amended the Policy for determining the Material Subsidiaries in line with the requirement of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018. The amended policy is available on our website, at www.sandhargroup.com

In terms of the SEBI LODR amendment dated 9th May, 2018, effective from 1st April, 2019, the Company's foreign subsidiary viz. Sandhar Technologies Barcelona S.L. together with its step-down subsidiaries shall be considered as a Material Subsidiairy.

The Audit Committee of the Company reviews the Consolidated Financial Statements of the Company and the investments made by its unlisted subsidiary companies. The minutes of the Board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

## IX. Management

**(a) Management Discussion and Analysis report:**

The Management Discussion and Analysis Report is given separately and forms part of this Annual Report.

**(b) Disclosures on Related Party Transactions:**

In compliance with the requirements of the SEBI Listing Regulations and following the provisions of Section 188(1) of the Companies Act, 2013, all Related Party contracts / arrangements / transactions entered by the Company during the financial year had been in the ordinary course of business and on arm's length basis, with Audit Committee having a domain role: the Board of Directors brought into picture, wherever necessary and/or obligatory. Therefore the provision of Section 188 of the Companies Act, 2013 were not attracted. There are no materially significant Related Party Transaction during the year under review made by the Company with promoters, directors or other designated person which may have a potential conflict with the interest of the Company at large. Thus, disclosure in Form AOC-2 is not required. Pertinent, in this context, is to say that, during the year, the Company has not entered into any contract / arrangement / transaction with related parties, which could be considered material in accordance with the policy of the Company on materiality of Related Party Transactions.

During the year, the Company has amended the Policy on materiality of related party transactions and dealing with related party transactions in line with the requirements of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018. The key change include, inter-alia, threshold limits for determining materiality. The amended policy is available on our website at www.sandhargroup.com

Related Party Transactions were disclosed to the Board on regular basis. Details of Related Party Transactions may be referred to in Note 31 of the Standalone Financial Statements

**(c) Disclosure of accounting treatment in preparation of financial statements:**

Pursuant to the provisions of Section 133 of Companies Act 2013 and Rule 4 (iii) (a) of Companies (Indian Accounting Standards) Rules 2015, the companies whose equity or debt securities were listed or were in the process of being listed on any stock exchange in India or outside India and having net worth of less than ` Five Hundred crores, had to comply with the Indian Accounting Standards (Ind AS), for the accounting periods beginning on or after April 01, 2017. Accordingly, Ind AS is applicable upon the Company and its subsidiaries beginning April 01, 2017.

**(d) Details of non-compliance by the listed entity, penalties, structures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;**

The equity shares of the Company got listed on the stock exchange(s) i.e. National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE") on April 02, 2018. For the Financial Year 2018-2019, there have been no instances of non–compliance by the Company for any matter related to the capital markets.

**(e) Code of Conduct for Prevention of Insider Trading**

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015, The Insider Trading Policy with Corporate Policy on Investor Relations was approved and adopted by the Company. The Insider Trading Policy is displayed on the website of the Company www.sandhargroup.com

**(f) Managing Director & Chief Financial Officer certification:**

The MD and the Chief Financial Officer ('CFO') have issued certificate pursuant to the provisions of Regulation 17 of the Listing Regulations certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Company's affairs. They also certify that, to the best of their knowledge and belief, no transactions entered into during the year were fraudulent, illegal or in violation of the code of conduct of the Company, they are responsible for establishment and maintenance of the Internal Financial Controls for financial reporting and they have indicated to the auditors and the Audit Committee about any significant changes in internal control over financial reporting, significant changes in the accounting policies and instances of significant frauds, if any, which they were aware. The said certificate is annexed and forms part of this Annual Report.

**(g) Code of Conduct:**

The Board has formulated and adopted Code of Conduct and Ethics for the Board of Directors and Senior Management. The said code has been reviewed and approved by the Board at its meeting held on August 19th, 2014, as updated from time to time, and has been hosted on the website of the Company www.sandhargroup.com All Board members and Senior Management Personnel affirmed compliance with the Code of Conduct.

**(h) Sexual Harassment of Women at Workplace**

Your Company is committed to creating and maintaining a secure work environment where its employees, agents, vendors and partners can work and pursue business together in an atmosphere free of harassment, exploitation and intimidation.

To empower women and protect women against sexual harassment, your Company has adopted a policy on prevention, prohibition and redressal of sexual harassment of Women at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (India) and the Rules framed thereunder.

All employees (permanent, contractual, temporary, trainees) are covered under this policy. This policy allows employees to report sexual harassment at the workplace. The Internal Committee is empowered to look into all complaints of sexual harassment and facilitate free and fair enquiry process with clear timelines. During Financial Year 2018-2019, there has been no case during the year requiring to be reported during the year under review.

**Disclosure of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

| | | |
|---|---|---|
| No. of complaints filed during financial year | : | Nil |
| No. of complaints disposed of during the financial year | : | Nil |
| No. of complaints pending during the financial year | : | Nil |

**(i) Details of establishment of vigil mechanism, Whistle Blower Policy and affirmation that no personnel has been denied access to the Audit Committee**

The Company has established a Whistle Blower Policy to enable stakeholders (including Directors, Employees, retainers, franchisees) to report unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Policy provides adequate safeguards against victimization of Director(s)/ employee(s) and direct access to the Chairman of the Audit Committee in exceptional cases. The Protected Disclosures, if any reported under this Policy are to be appropriately and expeditiously investigated by the Ethics Committee. Your Company hereby affirms that no Director/ employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. The Whistle Blower Policy was amended in line with SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 ("the insider trading regulations"), enabling employees to report any violations under the insider trading regulations and leak of Unpublished Price-Sensitive Information (UPSI). The amended policy is available on the Company's website at www.sandhargroup.com

## X. Compliance

**(a) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements;**

During the year 2018-2019, the Company has complied with all applicable mandatory requirements prescribed under the SEBI Listing Regulations.

**(b) The Company has duly fulfilled the following discretionary requirements as prescribed in Part E of Schedule II of the SEBI Listing Regulations:**

- Reporting of Internal Auditors: The Internal Auditor also reports to the Audit Committee while submitting internal audit report.
- The Company has duly appointed separate persons to the posts of Chairperson and Managing Director.
- The Company confirms that its financial statements are with unmodified audit opinion.
- The Internal Auditor reports directly to Audit Committee.

## XI. Shareholders

**(a) Means of communication:**

The Quarterly/Half-yearly/Annual financial results are forthwith communicated to the BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE), where the shares of the Company are listed, as soon as they are approved and taken on record by the Board of Directors. The results are also displayed on the Company's website www.sandhargroup.com.

The details of the Publications of the Financial Results in the year under review:

| Quarter/Annual | Date of Board Meeting to Approve the result | Date of Publication | English Newspaper | Hindi Newspaper |
|---|---|---|---|---|
| Q1 FY 2018-19 | 04th August, 2018 | 06th August, 2018 | Mint | Hindustan |
| Q2 FY 2018-19 | 05th November, 2018 | 06th November, 2018 | The Economic Times | The Economic Times |
| Q3 FY 2018-19 | 02nd February, 2019 | 04th February, 2019 | Mint | Hindustan |
| Q4 & Annual FY 2018-19 | 27th May, 2019 | 28th May, 2019 | The Economic Times, Mint & Business Standard | The Economic Times, Hindustan & Business Standard |

The Company has designated a dedicated e–mail ID as investors@sandhar.in for investors to register their grievances, if any. This has been initiated by the Company to resolve such investors' grievances, immediately. The Company has displayed the said e– mail ID on its website for the information of investors.

In addition to the dissemination of financial results in newspaper publications, the senior management team of the Company also conducts a conference call, after the Board Meeting, with investors/analysts on the results published and to give update on Company's operations and financial performance.

The Company informs the Stock Exchanges, in a prompt manner, all price sensitive information and such other matters which, in its opinion, are material and relevant for the shareholders.

**(b) General shareholder information:**

General Body Meetings:

*Annual General Meeting ("AGM")*

| AGM | Date of AGM | Details of special resolution(s) passed at the AGMs, if any | Place |
|---|---|---|---|
| 24th | 11th July, 2016 | No special resolutions were passed. | C-101 Ansal Plaza, HUDCO Place, Khelgaon Marg, New Delhi-110049; |
| 25th | 29th July, 2017 | No special resolutions were passed. | C-101 Ansal Plaza, HUDCO Place, Khelgaon Marg, New Delhi-110049; |
| 26th | 10th September, 2018 | (i) To approve the appointment of or continuation of directorship of Shri Dharmendar Nath Davar as a Non-Executive Director who has attained the age of 83 years<br>(ii) To approve appointment of or continuation of directorship of Shri Krishan Lal Chugh as an Independent Non-Executive Director who has attained the age of 80 years<br>(iii) To approve appointment of or continuation of directorship of Shri Mohan Lal Bhagat as an Independent Non-Executive Director who has attained the age of 82 years<br>(iv) Reappointment of Shri Arvind Joshi as Whole-Time Director for a further period of 5 (Five) years w.e.f. 1st June, 2018 up to 31st May, 2023<br>(v) Renewal of payment of Commission to Non Whole-Time Directors<br>(vi) Loans to Directors/Interested Parties: | IETE Delton Hall Lodhi Road, Gokalpuri Institutional Area, Lodi Colony New Delhi -110003 |

*Extraordinary General Meetings ("EGM")*

Details of special resolutions passed at the Extraordinary General Meetings ("EGM") held during the preceding three years are tabulated below:

| Date of AGM | Place | Details of special resolution(s) passed at the EGM, if any |
|---|---|---|
| 11th April, 2016 | C-101 Ansal Plaza, HUDCO Place, Khelgaon Marg, New Delhi-110049 | (i) Re-appointment of Shri Jayant Davar as Managing Director for a period of 5 years |
| 18th November, 2017 | B-6/20 L.S.C Safdarjung Enclave New Delhi -110029 | (i) Issue & Allotment of Equity Shares to the pub-lic (Initial Public Offer) |
| 2018-2019 | None | None |

No resolution of shareholders was passed through postal ballot in the above-mentioned AGMs and EGMs

**(c) Dividend**

The Board of Directors have paid during the year interim dividend as per particulars below:

| S.No | Date of Declaration | Rate of Dividend | Amount (in ₹ Lakhs) (Excluding Dividend distribution tax) |
|---|---|---|---|
| 1. | 05th November, 2018 (Interim Dividend) | 12.5% | 752.38 |

Further, the Board in its Meeting held on 27th May, 2019 recommended a final dividend of ₹1.25 per equity share for the Financial Year ended on 31st March 2019, subject to the approval of shareholders at the ensuing Annual General Meeting of the Company.

**(d) Listing on Stock Exchanges:**

Equity Shares of face value of ₹10/- each of the Company are currently listed on the following stock exchanges:

| S.No | Name | Address | Stock Code |
|---|---|---|---|
| 1. | BSE Limited (BSE) | 1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 | 541163 |
| 2. | National Stock Exchange of India Limited (NSE) | Exchange Plaza, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051 | SANDHAR |

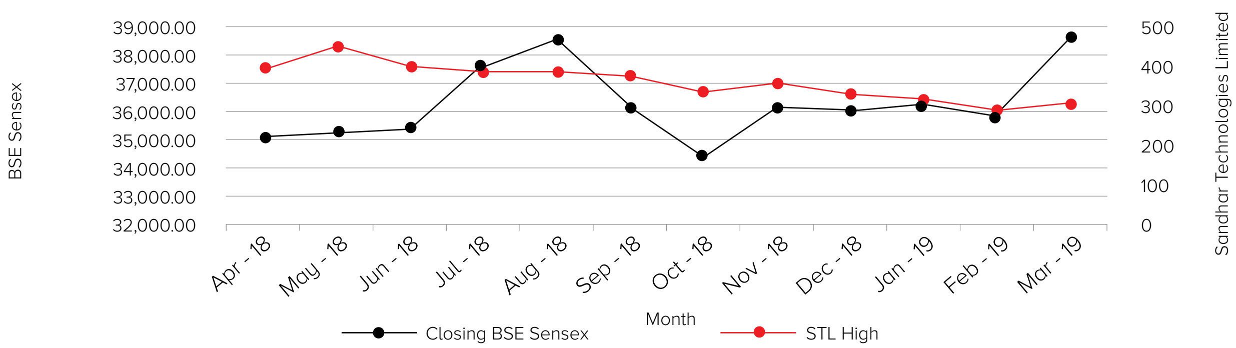
**(e) Market Price Data:**

**Monthly highs and lows of Company's shares during 2018-2019 (` vis-à-vis CNX Nifty & BSE Sensex):**

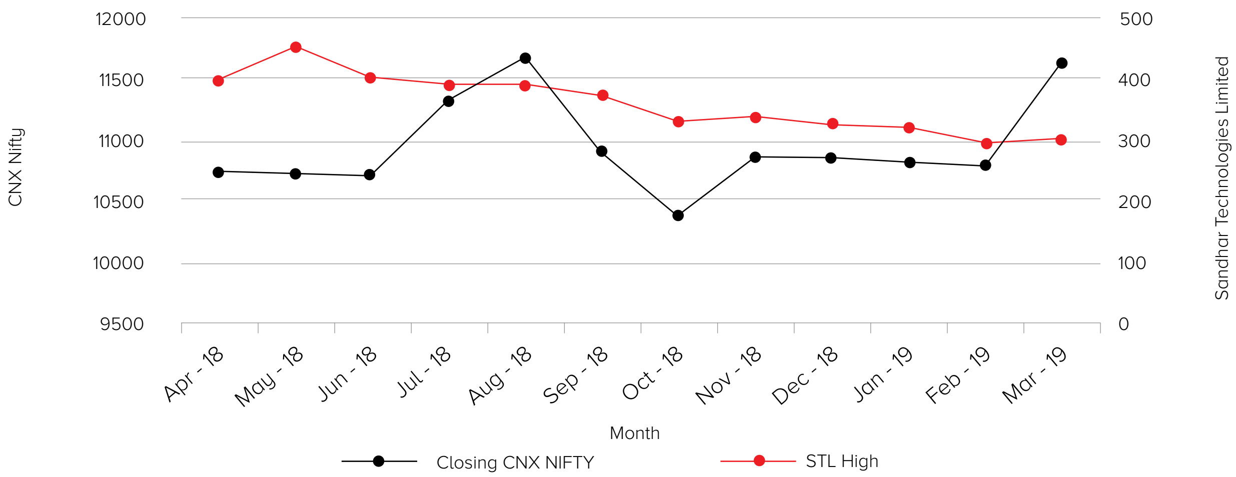
| Month | BSE | | NSE | | Closing CNX Nifty | Closing BSE Sensex |
|---|---|---|---|---|---|---|
| | High | Low | High | Low | | |
| Apr-18 | 399.5 | 305.8 | 399.0 | 305.6 | 10739.3 | 35,160.4 |
| May-18 | 451.3 | 379.0 | 451.3 | 377.9 | 10736.2 | 35,322.4 |
| Jun-18 | 405.8 | 334.4 | 406.8 | 335.0 | 10714.3 | 35,423.5 |
| Jul-18 | 390.0 | 337.7 | 392.0 | 339.0 | 11319.6 | 37,606.6 |
| Aug-18 | 391.6 | 345.9 | 391.0 | 345.6 | 11680.5 | 38,645.1 |
| Sep-18 | 377.5 | 302.6 | 375.0 | 306.0 | 10930.5 | 36,227.1 |
| Oct-18 | 339.2 | 295.1 | 335.0 | 301.0 | 10386.6 | 34,442.1 |
| Nov-18 | 359.0 | 300.0 | 341.8 | 305.5 | 10876.8 | 36,194.3 |
| Dec-18 | 333.0 | 306.1 | 329.8 | 307.1 | 10862.6 | 36,068.3 |
| Jan-19 | 322.9 | 226.5 | 322.5 | 227.5 | 10830.9 | 36,256.7 |
| Feb-19 | 295.4 | 246.5 | 296.5 | 247.3 | 10792.5 | 35,867.4 |
| Mar-19 | 306.1 | 257.1 | 305.1 | 260.0 | 11623.9 | 38,672.9 |

The charts below show the comparison of the Company's share price (monthly high) movement vis-à-vis the movement of the BSE Sensex and CNX Nifty for the financial year 2018-2019 (based on month end closing).

***Sandhar Technologies Limited Vs BSE Sensex, on 31st March, 2019***




***Sandhar Technologies Limited Vs Nifty, on 31st March, 2019***



**(f) Dematerialization of shares and liquidity;**

The Company's shares are compulsorily traded in dematerialised form on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE"). Equity shares of the Company representing approximately 100% equity share capital were held in Dematerialised form, as on 31st March, 2019.

**(g) Share Transfer Agent;**

The Company vide Agreement dated 02nd April, 2018 has appointed following agency to act as its Registrar and Share Transfer Agent ("RTA"). The RTA is, inter alia, responsible for processing of requests pertaining to share transfers/ transmission/ dematerialization/ rematerialisation and other activities related thereto for both electronic and physical shareholdings. Further, RTA also handles corporate actions such as data requirements for conduct of AGMs, dividends etc. The RTA corresponds with the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) in this regard.

Link Intime India Private Limited

C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083

Tel No: +91 22 49186000

Fax: +91 22 49186060

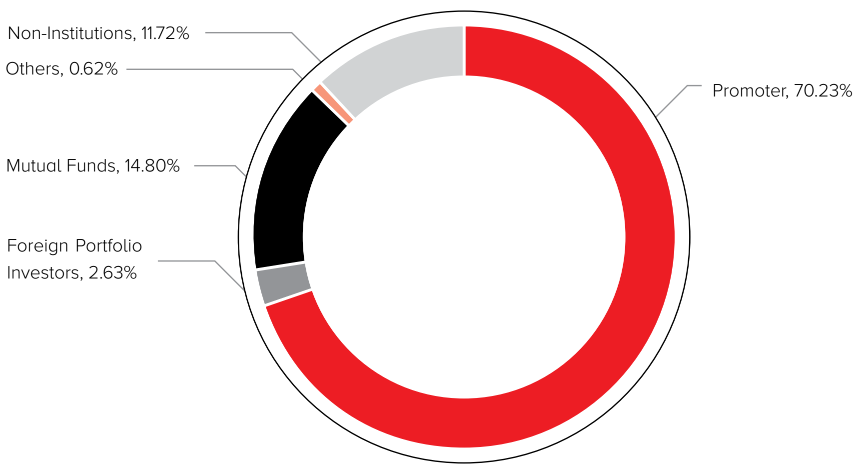
**(h) Distribution of Shareholding**

The below two tables provide details about the pattern of shareholding among various categories and number of shares held, as on 31st March, 2019

**Category Distribution:**

| Categories | 31st March, 2019 | |
|---|---|---|
| | No. of Shares | Percentage |
| Promoter | 4,22,71,992 | 70.2% |
| Foreign Portfolio Investors | 15,81,970 | 2.6% |
| Mutual Funds | 89,08,022 | 14.8% |
| Others | 3,72,955 | 0.6% |
| Non-Institutions | 70,55,769 | 11.7% |

***Shareholding as on 31st March, 2019***



Distribution of Shareholding as on 31st March, 2019:

**Distribution of Shareholding (Rupees)**

| S. No | Shareholding of Nominal Shares | | | Shareholder | Percentage of Total | Total Shares | Percentage of Total |
|---|---|---|---|---|---|---|---|
| 1. | 1 | to | 500 | 23269 | 89.8209 | 9559920 | 1.5883 |
| 2. | 501 | to | 1000 | 947 | 3.6555 | 807790 | 0.1342 |
| 3. | 1001 | to | 2000 | 542 | 2.0922 | 870070 | 0.1446 |
| 4. | 2001 | to | 3000 | 344 | 1.3279 | 863890 | 0.1435 |
| 5. | 3001 | to | 4000 | 96 | 0.3706 | 348210 | 0.0579 |
| 6. | 4001 | to | 5000 | 129 | 0.498 | 614970 | 0.1022 |
| 7. | 5001 | to | 10000 | 213 | 0.8222 | 1671200 | 0.2777 |
| 8. | 10001 | to | ********** | 366 | 1.4128 | 587171030 | 97.5518 |
| | | | **Total** | **25906** | **100** | **601907080** | **100** |

**(i) Share Transfer System:**

As on 31st March, 2019, 100% of the equity shares of the Company were in electronic form. Transfer of the shares held in demat form are done through the depositories with no involvement of the Company.

**(j) Outstanding Convertible Instruments/ADRs/GDRs/Warrants:**

The Company has not issued any convertible instruments/ ADRs/ GDRs/ Warrants.

**(k) Plant locations:**

In view of the nature of the Company's business, the Company operates from various centers in India and abroad.

| S. No | Facility | Location | Division | Products manufactured |
|---|---|---|---|---|
| 1. | Sandhar Automotives Gurgaon | Gurugram | Automotives | Lock assembly, door handles, latches and switch assembly |
| 2. | Sandhar Automotives Dhumaspur | Gurugram | Automotives | Mirror assembly and moulded parts |
| 3. | Sandhar Components Behrampur | Gurugram | Components | Sheet metal components |
| 4. | Sandhar Automotives HSCI Divi-sion | Gurugram | HSCI | Door handles, lock assembly and side view mirrors |
| 5. | Sandhar Components Manesar | Gurugram | Components | Zinc die casting |
| 6. | Sandhar Tooling | Gurugram | Subsidiary | Tools and dies |
| 7. | Sandhar Automotives Haridwar | Haridwar | Automotives | Locking systems, rear view mirrors systems, door handles, and hinges and latches |
| 8. | Sandhar Components Bawal | Bawal | Components | Aluminium die casting parts |
| 9. | Sandhar Technologies Limited – Bawal – II | Bawal | Components | Plastic moulding parts |
| 10. | Sandhar Automach Nal-agarh | Nalagarh | Automach | Wheel rims and wheel assemblies, handle bars, clutch and brake panels, and fender assemblies |
| 11. | Sandhar Technologies Limited – Pathredi | Alwar | HSCI | Door handles, lock assembly, and side view mirror |
| 12. | Indo Toolings Indore | Indore | Joint Venture | Commercial tooling |
| 13. | Sandhar Au-tomotives Pune | Pune | Automotives | Mirror assembly, lock assembly, and handle assembly |
| 14. | Sandhar Technologies Limited – Cabins and Fabrication Pune | Pune | Cabins and fabrications | Cabins, welded assembly for cabins |
| 15. | Sandhar Components Attibele | Bengaluru | Components | Zinc die casting and moulding parts |
| 16. | Sandhar Automotives Bommasandra | Bengaluru | Automotives | Lock assembly, mirror assembly, handle assembly, latches, and switches |

| S. No | Facility | Location | Division | Products manufactured |
|---|---|---|---|---|
| 17. | Mag Engineering Unit A | Bengaluru | Cabins and fabrication | Backhoe loader cabins and cabin loose parts, operator cabins, motor grader cabin, dozers cabins, cabin for dump trucks including floor plate |
| 18. | Mag Engineering Unit B | Bengaluru | Cabins and fabrication | Backhoe loader cabins and cabin loose parts, operator cabins, motor grader cabin, dozers cabins, cabin for dump trucks including floor plate |
| 19. | Sandhar Automach Attibele | Bengaluru | Automach | Motor cycle rims, moped rims, scooter rims, clutch assembly, handle bar assembly, wheel as-semblies for motor cycles, mopeds and scooters |
| 20. | Sandhar Automach Mysore | Mysuru | Automach | Wheel rims and wheel assemblies, handle bars, clutch and brake panels, and fender assemblies |
| 21. | Sandhar Technologies Limited | Oragadam, Chennai | Automach | Assembly of rims |
| 22. | Sandhar Automotives Gurgaon – JEM division | Gurugram | Automotives | Relays |
| 23. | Sandhar Technologies Limited – Distribution Division | Gurugram | After market | Packaging of products for after market sales |
| 24. | Sandhar Han Sung | Gurugram | Joint Venture | Press parts for application in relays, motors and tools, injection moulded parts for application in sensors, connectors, switches, vehicle relays, lamps, windshield wipers and switches |
| 25. | Jinyoung Sandhar | Oragadam, Chennai | Joint Venture | Assembly of AVN panels, and switches |
| 26. | Sandhar Han Sung – Oragadam | Oragadam, Chennai | Joint Venture | High precision press parts, and insert moulded contact plates |
| 27. | Sandhar Technologies Limited* | Hosur | Automach | Wheel rims and wheel assemblies, handle bars, clutch and brake panels, and fender assemblies |
| 28. | Sandhar Technologies Limited – CFD – Jaipur | Jaipur | Cabins and fab-rication division | Parts and components for off highway vehicles |
| 29. | Sandhar Technologies Limited – Oragadam | Oragadam, Chennai | Components, and cabins and fabrication | Cabins and cabin loose parts, operator cabins for off highway vehicles, aluminium die casting components, machining, and powder coating of aluminium die casting parts |
| 30. | Sandhar Technologies Limited – Hosur Unit | Hosur | Components | Aluminium die casting parts |
| 31. | Sandhar Technologies Limited – Oragadam (ADC) | Oragadam, Chennai | Components | Aluminium die casting parts |
| 32. | Sandhar Daewha | Gurugram | Joint Venture | Fuel filters and fuel modules, starter motors, wipers |
| 33. | Sandhar Amkin | Gurugram | Joint Venture | Safety helmets and other headgears for two-wheelers |
| Manufacturing facilities to be commissioned | | | | |
| 34. | Sandhar Whetron | Gurugram | Joint Venture | Automotive Sensors like Cameras, Ultra sonic sensors, radar solutions |

**A. Facilities outside India:**

| S. No | Facility | Location | Division | Products manufactured |
|---|---|---|---|---|
| 1. | ST Barcelona | Spain | ST Barcelona | Aluminium spools and spindles |
| 2. | Breniar Projects | Spain | ST Barcelona | Aluminium spools and spindles |
| 3. | ST Mexico | Mexico | ST Mexico | Aluminium spools and spindles |

**(l) Address for correspondence:**

Investors and shareholders can correspond with the RTA or at corporate office of the Company at the following address:

| Registrar and transfer agent - Link Intime India Private Limited | Company |
|---|---|
| C-101, 1st floor 247 Park<br>L B S Marg, Vikhroli (West)<br>Mumbai 400 083<br>Tel: +91 22 4918 6270<br>Fax: +91 22 4918 6060<br>E-mail: mumbai@linkintime.co.in<br>Investor Grievance e-mail: rnt.helpdesk@linkintime.co.in<br>Website: www.linkintime.co.in | **Registered Office** : B-6/20 L.S.C. Safdarjung Enclave, New Delhi-110029<br><br>**Corporate Office** : Plot No. 13, Sector 44, Gurgaon - 122002 |

### Additional Shareholder Information

**Annual General Meeting**

Date: 09th September, 2019
Time: 10:00 A.M.
Venue: Sri Sathya Sai International Centre and School (A unit of Sri Sathya Sai Centre Trust), Pragati Vihar, Bhisham Pitamah Marg, Lodhi Road, New Delhi – 110003

**Financial Calendar**

Financial year: April 1, 2018 to March 31, 2019

For the year ended March 31, 2019, results were announced for:

First Quarter: 04th August, 2019
Half Yearly: 05th November, 2018
Third Quarter: 02nd February, 2019
Fourth Quarter and annual: 27th May, 2019

For the year ending March 31, 2020, results will be announced by:

First Quarter: on or before 14th August, 2019
Half Yearly : on or before 14th November, 2019
Third Quarter: on or before 14th February, 2020
Fourth Quarter and annual: on or before 30th May, 2020

## XII. Other Disclosures

**(a) Confirmation of Compliance with the Corporate Governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-re gelation 2 of Regulation 46:**

| S. No | Particulars | Regulation Number | Compliance status (as on March 31, 2019) (Yes/No/N.A.) |
|---|---|---|---|
| 1. | Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility' | 16(1)(b) & 25(6) | Yes |
| 2. | Board composition | 17(1) | Yes |
| 3. | Meeting of Board of directors | 17(2) | Yes |
| 4. | Review of Compliance Reports | 17(3) | YES |
| 5. | Plans for orderly succession for appointments | 17(4) | YES |
| 6. | Code of Conduct | 17(5) | Yes |
| 7. | Fees/compensation | 17(6) | Yes |
| 8. | Minimum Information | 17(7) | Yes |
| 9. | Compliance Certificate | 17(8) | YES |
| 10. | Risk Assessment & Management | 17(9) | Yes |
| 11. | Performance Evaluation of Independent Directors | 17(10) | Yes |
| 12. | Composition of Audit Committee | 18(1) | Yes |

| S. No | Particulars | Regulation Number | Compliance status (as on March 31, 2019) (Yes/No/N.A.) |
|---|---|---|---|
| 13. | Meeting of Audit Committee | 18(2) | Yes |
| 14. | Composition of nomination & remuneration committee | 19(1) & (2) | Yes |
| 15. | Composition of Stakeholder Relationship Committee | 20(1) & (2) | Yes |
| 16. | Composition and role of risk management committee | 21(1),(2),(3),(4) | NA |
| 17. | Vigil Mechanism | 22 | Yes |
| 18. | Policy for related party Transaction | 23(1),(5),(6),(7) & (8) | Yes |
| 19. | Prior or Omnibus approval of Audit Committee for all related party transactions | 23(2), (3) | Yes |
| 20. | Approval for material related party transactions | 23(4) | YES |
| 21. | Composition of Board of Directors of unlisted material Subsidiary | 24(1) | NA |
| 22. | Other Corporate Governance requirements with respect to subsidiary of listed entity | 24(2),(3),(4),(5) & (6) | Yes |
| 23. | Maximum Directorship & Tenure | 25(1) & (2) | Yes |
| 24 | Meeting of independent directors | 25(3) & (4) | Yes |
| 25. | Familiarization of independent directors | 25(7) | YES |
| 26. | Memberships in Committees | 26(1) | Yes |
| 27. | Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel | 26(3) | YES |
| 28. | Disclosure of Shareholding by Non-Executive Directors | 26(4) | Yes |
| 29. | Policy with respect to Obligations of directors and senior management | 26(2) & 26(5) | Yes |

**(b) Name and Designation of Compliance Officer:**

Shri Arvind Joshi, Whole Time Director, Chief Financial Officer & Company Secretary
Plot No. 13, Sector 44, Gurgaon – 122001 Haryana - India
Tel No: 0124-4518900; Fax No: 0124-4518912
Email: investors@sandhar.in

**(c) Subsidiary companies:**

The Company has three direct subsidiaries as per particulars below:

| S. No | Name of subsidiary & its location | Dt. of incorporation | Nature of subsidiary | Type of subsidiary pursuant to regulation 16(1)(c) of the Listing Regulations. i.e. [Material or otherwise] |
|---|---|---|---|---|
| 1. | Sandhar Tooling Pvt. Ltd. Registered office at B-6/20, L.S.C, Safdarjung Enclave, New Delhi-110 029 | 26th February, 2002 | Domestic company | Otherwise |
| 2. | Sandhar Strategic Systems Pvt. Ltd. Registered office at Vill. & Post Khandsa, Berhampur Road, Gurgaon-122 001 | 9th September, 2016 | Domestic company | Otherwise |
| 3. | Sandhar Technologies Barcelona S.L., Registered at Av. Cal Rubio, no 46, Santa Margarida I els Monjos, Barcelona, Spain | 18th May, 2007 | Foreign company (RBI UIN no. NDWAZ20090757) | Otherwise |

**Company's wholly-owned foreign subsidiary, viz. Sandhar Technologies Barcelona S.L. has the following subsidiaries:**

| S. No | Name of subsidiary & its location | Dt. of incorporation | Nature of subsidiary | Type of subsidiary pursuant to regulation 16(1)(c) of the Listing Regulations. i.e. [Material or otherwise] |
|---|---|---|---|---|
| 1. | Sandhar Technologies Poland sp. z.o.o.<br>Registered office at Ul Legionow 59, 42-200, Czestochowa, Poland | 20th June, 2011 | Foreign company | Otherwise |
| 2. | Sandhar Technologies De Mexico S. de RL de CV<br>Registered office at Av. Torre centro Insurgentes, 3 Parque Opcion, San Jose Iturbide 37980, Guanuato, Mexico | 27th February, 2014 | Foreign company | Otherwise |
| 3. | Breniar Projects s.l. registered office at Av. Cal Rubio, no 46, Santa Margarida I els Monjos, Barcelona, Spain | 26th April, 2007 | Foreign Company | Otherwise |

**(d) Commodity price risk or foreign exchange risk and hedging activities:**

Please refer to Management Discussion and Analysis Report for the same. The Company has a Board approved Forex Policy which lays down the principles for hedging of forex risk.

**(e) Credit rating:**

During the year under review, ICRA Ltd, a credit rating agency registered with SEBI had improved the long term rating ICRA AA-/stable from ICRA A+ and reaffirmed ICRA A1+ from ICRA A1 for short term rating. India Rating & Research, a credit rating agency registered with SEBI had improved the long term rating IND AA-/stable from IND A+ and reaffirmed IND A1+ from IND A1 for short term rating.

**(f) Details of total fees paid to statutory auditors**

The details of total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, are as follows:

(Amount in Lakhs)

| Type of Service | March, 2019 | March, 2018 |
|---|---|---|
| As Auditor | | |
| Audit Fees | 64.71 | 67.51 |
| Limited Review | 11.67 | - |
| In Other Capacity | | |
| Other services (certification fess) | 1.58 | 2.43 |
| Reimbursement of expenses | 4.02 | 4.98 |
| **TOTAL** | **84.78** | **72.12** |

**(g) Certification from Company Secretary in Practice**

M/s K.K. Sachdeva & Associates, Practicing Company Secretaries, had issued a certificate as required under the Listing Regulations, confirming that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of the companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority. The certificate is enclosed as **ANNEXURE-A.**

# Annexure A to Corporate Governance Report, 2019

## Certificate From Company Secretary In Practice

**[Pursuant to clause 10 of part C of Schedule V of Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements), Regulations, 2015]**

In pursuance of sub-clause (i) of clause of Part C of Schedule V of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements), Regulations, 2015]; (LODR) in respect of Sandhar Technologies Limited (CIN: L74999DL1987PLC029553), I hereby certify that :

On the basis of the written representation/declaration received from the directors and taken on record by the Board of Directors, as on 31st March, 2019, none of the directors on the board of the Company has been debarred or disqualified from being appointed or continuing as director of Companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority.

**FOR K.K. SACHDEVA & ASSOCIATES**
Practicing Company Secretaries

Sd/-
**K.K. Sachdeva**
Proprietor
FCS No. 7153, CP No. 4721

Place: New Delhi
Date: 27 May 2019

# MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

## Global Economy overview

The year 2018 started on a high note but slowed down eventually reflecting a confluence of factors affecting major economies. The global growth, which was approx. 4% in 2017, softened to 3.6% in 2018 and is projected to decline further in 2019 to 3.3%. The factors that contributed to weakened global expansion includes increase in trade tensions and tariff hikes between the United States and China, decline in business confidence, tightening of financial conditions, and higher policy uncertainty across many economies.

In China, the growth slowed owing to both external factors, related to the trade war, and domestic factors, as financial de-risking efforts weigh on demand. The lower growth in China led to slower growth in emerging markets and developing economies (EMDEs), where the growth will slow down to 4.4% in 2019 from 4.5% in 2018. The recession in Turkey and deepening contraction in Iran further added to slower growth in EMDEs. While the growth in advance economies is estimated to slowdown from 2.2% in 2018 to 1.8% in 2019 owing to slower growth in almost all the countries, especially euro area.

However, the medium term outlook of global economy remains positive. With easing trade tension between the US and China and stabilizing monetary policies, the growth is expected to rebound in 2020 to 3.6%. The uptick in growth in second half of 2019 is estimated with ongoing build-up of policy stimulus in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the euro area, and a gradual stabilization of conditions in stressed emerging market economies, including Argentina and Turkey.

## Indian Economy Overview

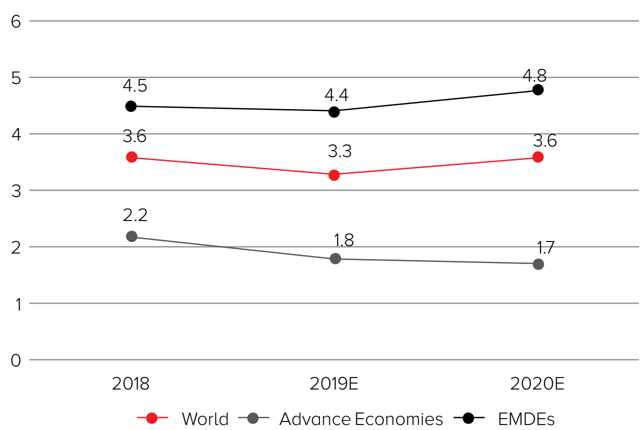
The Indian economy continues to be the fastest growing major economy, second time in a row, surpassing the growth rate of emerging countries such as China. The country registered a growth rate of 7.0% in the fiscal year 2019 as against 7.2% in the previous year. The growth showed a downward trend due to volatility in the global economy and slower than expected agriculture output. Nevertheless, the manufacturing activities showed a robust growth which expanded by 8.1% backed by strong expansion in corporate earnings. The index of industrial production (IIP) was on a firm footing reflecting robust demand for capital equipment, construction goods, and consumer durables.

The exports grew by 8.9%, slightly lower than previous year, buoyed by strong growth for refined petroleum exports, aided by the rise in global prices. While, the imports slowed by 9.8% in FY 2019 reflecting decreasing imports other than oil. With crude oil price being volatile and increasing domestic consumption propelled oil import growth by more than 32%. The Indian rupee depreciated by 7.2% against the US dollar during the year under review reflecting the widening current account deficit and tepid foreign investment flows.

Inflation, remaining largely benign in FY 2019, is anticipated to increase in FY 2020. The average global oil prices are anticipated to be 13% lower in 2019 than last year. However, the government is likely to increase taxes on deregulated fuels like gasoline and diesel due to stringent pollution control measures. With easing norms of doing business in India and healthy growth outlook are likely to attract strong inflows of foreign direct investment.

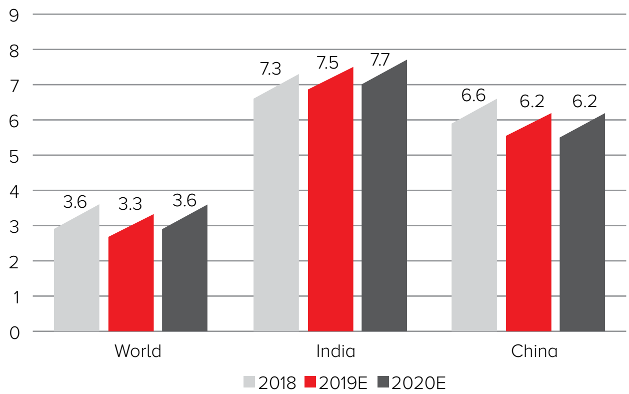
Although the global economy is anticipated to slowdown, outlook for India continues to be positive with GDP edging up to 7.2% in FY 2020 and further expand to 7.3% in FY 2021. The growth is anticipated to rebound on revived rural consumption, continued growth in private investment in response to improved bank and corporate balance sheets, more competitive domestic firms and products under the GST, and less drag from net exports. *Source: Asian Development Outlook (ADO) 2019: Strengthening Disaster Resilience*

***GDP Growth Rate (in %)***



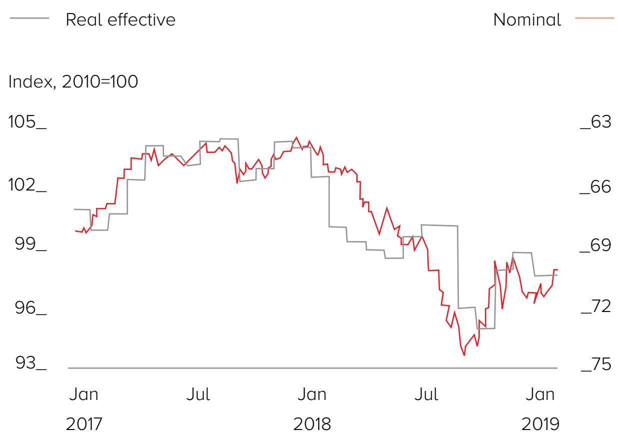

*Source: IMF*

***India's GDP growth rate against World and China (in %)***




Note: The year represents Calendar Year E: Estimated
*Source: IMF*

***Exchange rates***




Source: Bloomberg (accessed 8 March 2019)

## Global Automotive Industry

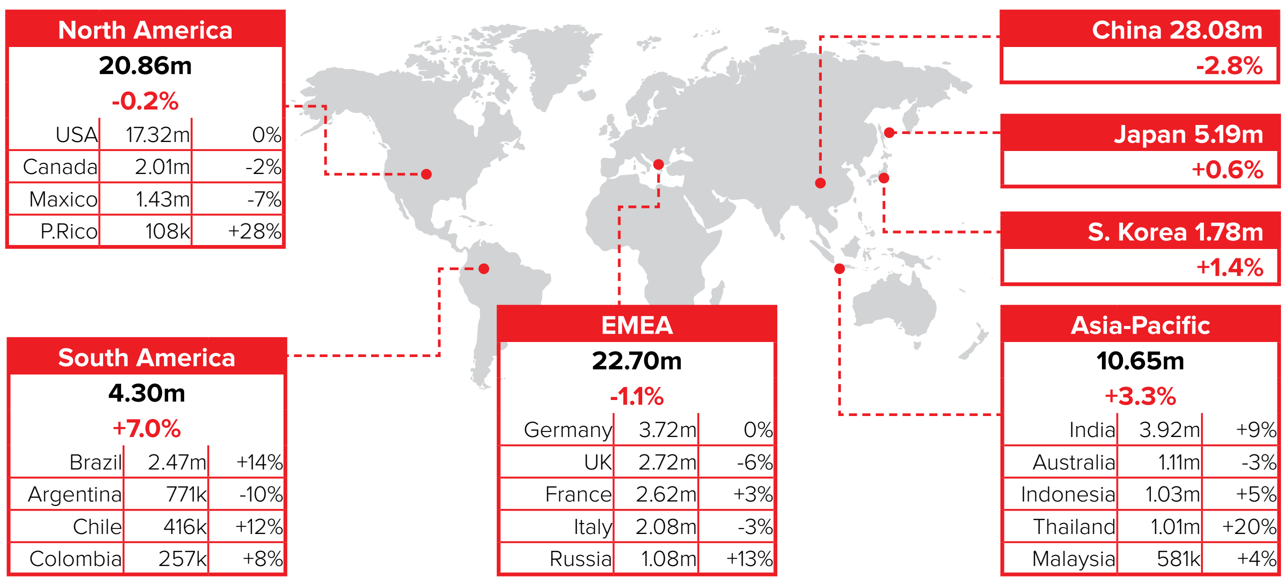
The global automotive industry has been evolving significantly over the past decade. The convergence of various technologies, change in customer sentiment and economic health has played a vital role in its evolution. In 2018, global car and light commercial vehicle sales contracted by 0.5% to 86 million vehicles from 86.43 million vehicles in 2017. This was on account of trade tension between the two giants, China and the US, political changes in key markets and new threats to the status quo of the industry. Strong growth in India, Brazil, Russia and South East Asia offset the slower growth in Europe, China and the US.

The year 2018 marked a record year for the sale of battery-powered electric vehicles (EV). Passenger electric cars recorded 74% YoY growth to 1.26 million sales throughout the year. EV recorded the highest sales across all categories in the global market. The growth was supported by several factors notably increasing demand for EVs in China as a measure to reduce environmental impact and rising diesel price in countries like Europe lead to consumers to shift towards EVs. *Source: Car Sales Statistics*

The global auto component industry is a diversified sector which involves engine and auto component manufacturers, including aftermarket parts manufacturers, suppliers and dealers. Between CY 2013-CY2018 the market share of this industry has increased by 4.4%, and sales revenue has reached nearly US$ 2 Trillion in CY 2018. During the same time frame, the sales output of the global auto component sector grew by 13.1% and employee strength has accelerated to 5.5%. Auto component manufacturers are gradually shifting towards Asian countries such as China and India, due to higher market potential and low-cost raw material. The rising importance of electronics have led to accelerate the growth of global auto components markets in Asian countries. (Lucintel.com, IBIS World)

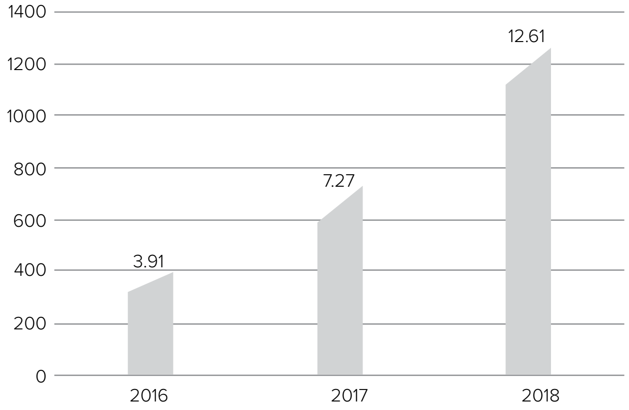
The outlook for the global automotive industry for the next two years will remain stable, due to accelerating trends in sales in China, India, and Europe. However, the market is expected to face multiple challenges in 2019 and 2020 due to factors such as the looming trade tensions, rising interest rates, and higher fuel prices would dampen the sales for the next years. It is projected that by 2020, global profits for automotive OEMs will rise by almost 50%. The auto component market is expected to dominate the global market in the coming years with a high market valuation. It is projected that the value of the global auto component market will reach to US$ 212 Billion by 2025. *Source: Persistance Market Research, Cnbc*

**Global Car & LCV Sales by Region 2018**



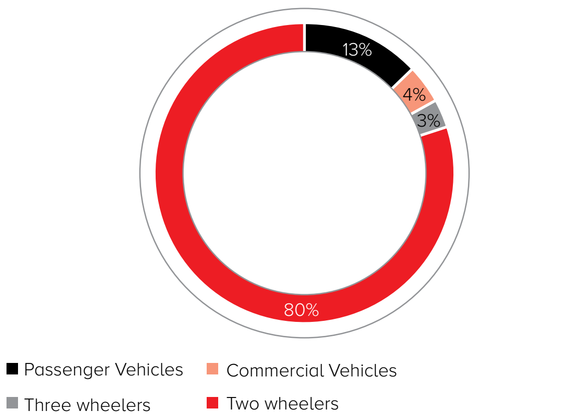

*Source: Car Sales Statistics*

***Global Electric Car Sales (in units lakhs)***




*Source: Car Sales Statistics*

***Domestic Sales Mix in 2018-19***




*Source: Society of Indian Automobile Manufacturer (SIAM)*

## Indian Automobile Industry

The Indian Automobile industry is the fourth largest industry in the world and the seventh largest manufacturer of consumer vehicles. The Indian automobile industry registered a growth rate of 5% YoY to 26.27 lakhs in FY 2018-19 from 24.98 lakhs in FY 2017-18. The total production in the industry accounted for 30.91 lakhs vehicles across all category registering growth of 6.26% YoY in 2018-19 from 29.09 lakhs in 2017-18. The commercial vehicle segment accounted for the highest growth of 17.6% YoY followed by three wheeler segment, which grew by 10.3% YoY. *Source: Society of Indian Automobile Manufacturer (SIAM)*

The sector is slowing shifting towards a service oriented model with new players focusing extensively on customer experience and consumer data. With new technologies changing the market, the companies has been extensively investing in these technologies to capture the changing consumer preference. Strong government focus on environment regulation has also lead to investment in new models and EVs. *Source: Business Wire*

The Indian Automotive component is expected to witness a healthy growth by FY 2020 owing to increasing domestic demand, rising exports and increasing flow of investments in the automotive component sector. The country is expected to become the third largest passenger vehicle market by FY 2021. PV production in India is expected to grow at a CAGR of 9% between FY 2019 to FY 2020. According to the Automotive Mission Plan 2026, the government and the automotive industry have set a target to triple industry revenue to $ 300 Billion, and expand exports to US$ 80 Billion. *Source: CNBC, Thomson Reuters, Mckinsey*

### Demand Drivers

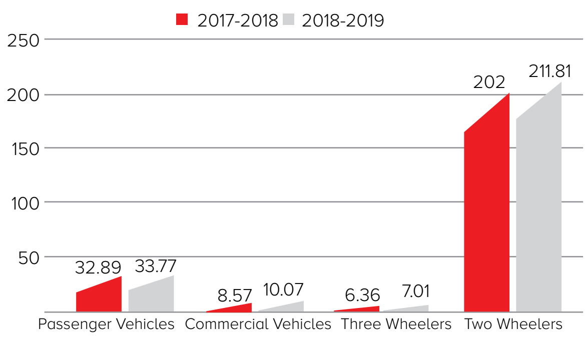
#### Two wheeler

The key demand drivers for the two wheeler market in India can be illustrated as under:

- The demand for Two wheelers (2Ws) in India has been driven by resilient rural sentiments that are supported by normal monsoon precipitation for the consecutive two fiscal years, viz; FY 2018 and FY 2019.
- New products launches in the 2W industry are targeting the niche clients, increasing urbanization and rising disposable income which leads to a greater penetration in the urban areas.
- Rising disposable income and increasing young population have led to increase the demand growth for 2Ws in India.
- Women form near about 33% of 2W riders, which leads to an increasing demand for scooters. With more women joining the workforce has led to increase the demand for two wheelers in India.

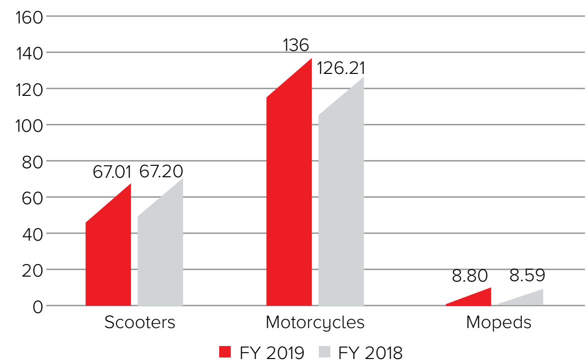
*Source: The Economic Times, Markets and Markets*

***Sales Volume of Indian Automobile (in units lakhs)***




*Source: Society of Indian Automobile Manufacturer (SIAM)*

***Sales Volume of Two Wheelers (in units lakhs)***




*Source: Auto.com*

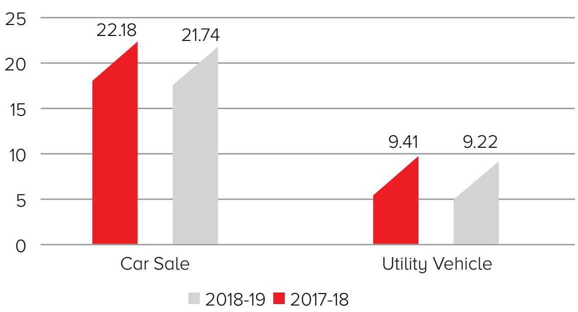
### Passenger Vehicle

The passenger vehicle industry saw a growth of 2.7% in 2018-19 and are expected to grow 3-5% in the next fiscal year i.e. 2019-2020. The following demand drivers for the domestic passenger vehicle (PV) industry can elated as under:

- Rise in the price of domestic fuel and higher interest rates have led to increase the utility of PVs in India.
- Factors such as rise in the disposable income, rapid urbanization and rise in infrastructural development have accelerated the growth of passenger vehicle industry in India.
- Growing demand of passenger vehicle in the rural and semi-urban markets

*Source: Mordorintelligence.com*

***Sales Volume of Passenger Vehicle (in units lakhs)***




*Source: Auto.ndtv.com*

## Company Overview

Sandhar Technologies Limited (Sandhar) is one of the largest companies catering to the commercial vehicle locking systems market and the two wheeler rear view market in India. It is an auto component supplier mainly catering to automotive OEMs and primarily focused on safety and security systems of vehicles. The organization engages in designing and manufacturing a range of automotive components, parts and systems, driven by technology, process, people and governance. Sandhar has a rising international footprint with 21 product categories and 31 manufacturing facilities in India, 2 in Spain, 1 in Mexico and 5 manufacturing facilities are in the process of getting commissioned in India.

**SWOT Analysis**

### Strengths

- Most of the facilities are in vicinity to the customer base.
- Long standing and growing relationships with major Original Equipment Manufacturers (OEMs).
- Manufacturing locations in close proximity to automobile hubs.
- Inorganic growth through strategic acquisitions.
- Ensures efficiency and cost optimization.
- Leverages innovation and design capabilities.

### Weakness

- Higher customer concentration can impact the financial performance.
- It has substantial amount of indebtedness.
- High dependency on its promoters.
- Major revenue reliability on the two-wheeler market.

### Opportunities

- Expansion of product portfolio mix by making investments in new products and business with high growth potential.
- Expansion of customers in the global market.

### Threats

- Decrease in two wheeler, passenger vehicles and consumer vehicle industries could impact the overall sales volume.
- Increasing competition from other automotive competitors.
- Changes in regulatory and industry requirement can obsolete the product.

**Financial Overview**

During the year under review, the revenue from operation grew by 20% to ₹2,336 crore from ₹1,946 crore on account of healthy demand in the downstream industry in the domestic market. While, the Company's EBITDA grew by 20% to reach ₹258 crore and the Profit after Tax (PAT) grew by 45% to reach ₹96 crore in fiscal 2018-19 from ₹66 lakhs in the previous year. Table below provides a summary of the financial parameters along with key ratios affecting the Company.

| Particulars | FY 2019 | FY 2018 | YoY growth |
|---|---|---|---|
| Revenue (₹ in crore) | 2,336 | 1,946 | 20.04% |
| EBITDA (₹ in crore) | 258 | 213 | 20.66% |
| PAT (₹ in crore) | 96 | 66 | 45.45% |
| EBITDA Margin (in %) | 11.0 | 10.9 | 10 bps |
| Net Profit Margin (in %) | 4.1 | 3.4 | 70 bps |
| Debt Equity Ratio (in times) | 0.38 | 0.76 | 0.38 times |
| Current Ratio (in times) | 0.89 | 0.87 | 0.02 times |

**Outlook & Strategy**

Sandhar continues to outperform the industry average. To continue its robust growth trajectory, the company plans to diversify its product offering to newer segments in order to increase its market share. The company is targeting a growth rate of approx. 15% overall growth for the next fiscal year. It also plans to increase its production capacity to cater to the growing domestic and international market demand. Sandhar has plans to leverage current trends in the automotive sectors such as increasing focus on safety, fuel efficiency, comfort, customization, as well as auto electronics. It intends to focus on adopting strategies to establish a standardised platform across it business units for its processes, hardware and software infrastructures and workforce. Going ahead, Sandhar would focus more on offering high value added products like ABS/CBS, Tyre pressure monitors etc.

**Risk Mitigation**

Sandhar's risk management policies are formulated in such a way that the company can respond swiftly and implement the necessary mitigation strategies. A prudent risk management framework has been structured such that a cautious approach is undertaken to identify and analyse internal and external risks and minimize its impact on the manufacturing operations.

| Key Risks | Nature of Risk | Risk Mitigation Strategies |
|---|---|---|
| Customer Retention Risk | Inability to address customer needs and growing competition may lead loss in revenue. | • Sandhar has a well-integrated product portfolio mix to cater the needs of changing tastes and preferences of the customers.<br>• The R&D and marketing team merge marketing trends and adapt innovative architectural theorems to design new auto component parts. |
| Currency Risk | With significant exports and foreign currency volatilty, Sandhar's profitability remains under threat. | • Sandhar has followed a consistent policy of hedging to avoid any major fluctuations. |
| Interest Rate Risk | The Company is always looking at expanding its presence. It uses borrowings to fund its expansion plans and hence, has an incremental exposure to interest rate risk. | • Sandhar's financial planning team ensures average cost of borrowings remains at adequate level.<br>• A considerate mix of loan portfolio and internal cash accruals is carried out to fund its expansion plans, while working capital loan is maintained at a sufficient threshold. |
| Employee Retention Risk | Attrition of key employees could impact business operations and growth of the company. | • Sandhar's employee-centric policies and initiatives facilitate in retaining key intellectuals.<br>• Its training calendar, performance management system, and people involvement and motivation programs help encourage and retain talent. |
| Components costs | Increase in prices of raw materials used in product may lead to higher production cost and have adverse effect on the profitability of the company. | • Sandhar has a system of bulk purchase of the required material on quarterly or six month basis to offset the volatility in price.<br>• The company also undertake re-designing of the product to reduce the material content and material standardization to globally available raw materials<br>• Sandhar take supplies for limited suppliers, hence giving it the benefit of bulk purchase at a competitive price. |
| Pricing and Competition risk | Automobile component industry consists of many small and big players. Hence the company face intense competition from domestic as well as international players. The company may face margin pressures with rising input cost and been able to pass the same onto the consumers. | • Sandhar has an established brand reputation in the market, giving it an edge over the competitors.<br>• The focus has always been on cost-reduction and creating value added products for the customer. This strategies help the company to gain customer loyalty and trust<br>• Sandhar continuously monitors its cost to sales ratio in order to maintain the desired level of profitability. |
| Dependence on Suppliers | With the given nature of Sandhar's business, it dependence upon its suppliers for bought out components being supplied by several Tier-2 suppliers, at each stage of production. If the suppliers fail to deliver the products on time may have adverse effect on the business. | • The company maintains optimum number of suppliers in every segment and has develop alternate suppliers around in multiple geographical locations resulting in uninterrupted and high quality supplies of the required material. |

**Human Resources**

Human resources are the most critical element of Sandhar. The company strive towards attracting and retaining the best talent required for the business to grow. The company possess a talented pool of human procurement team which chooses the best employee with the able skill set which is apt for the working process of Sandhar. The company focuses on leveraging the skill set and competencies by regularly training their employees in technical and soft skills to help enhance their capabilities and performances. Sandhar appreciates and recognizes outstanding employee performances and achievements through performance oriented annual rewards and incentive schemes. As on 31st March 2019, [] new employees were recruited and they are in the process being trained by the in house talent acquisition team.

The human capital of the company ensures that the employees should work in such a way which will leverage them both personally as well as professionally. Its focus is to ensure transparent, safe, healthy, progressive and engaging work environment which is aimed at creating leaders of the future. Employees have a sense of belongingness and feel empowered in driving business profitability.

**Information Technology**

Sandhar has invested in the Oracle enterprise resource planning systems ("ERP") and have implemented ERP systems since 2009 which encompasses the management of all production, materials, maintenance and human resource functions. It has always made conscious efforts to consistently upgrade its systems to ensure efficiency and reduce redundancies. All our security systems and business continuity management systems are ISO certified. The Company has also established use of information technology systems in design, development and prototyping such as Autodesk, Dassault, Ironcad, Delcam, Mastercam and Unigraphics. The Company has initiated several measures to reduce its dependency on Hardware Infrastructure and move to cloud-based solutions to optimise its IT related costs.

**Internal control and adequacy**

The Company has put in place adequate internal financial control systems commensurate with its size, nature and complexity of operations. These controls are adequate for ensuring the orderly and efficient conduct of the business and are working effectively. These controls have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, adherence to the Company's policies, safeguarding of assets from unauthorized use and prevention and detection of frauds and errors.

The internal audit function is carried out by an independent firm of Chartered Accountants, viz. M/s. GSA & Associates, New Delhi which has the requisite experience and knowledge of the industry segment and the control systems necessary for the nature, size and scale of operations of the Company and it reviews the adequacy of internal control systems and covers significant areas of the Company's operations. Risk based audits are performed, based on an annual internal audit plan, which is developed in consultation with the Audit Committee. Internal Audit reports are regularly reviewed by the Top Management. The Internal Audit process also monitors the progress in implementation of suggestions for improvements.

The Audit Committee reviews the adequacy and effectiveness of internal control systems and suggests ways of further strengthening them. During the period, the Audit Committee met regularly to review the reports submitted by the Internal Auditors. All significant audit observations and improvement actions thereon were reported to the Audit Committee.

Besides the internal audit, the Company has an internal team which undertakes Commercial audit, the objective of which, inter-alia, is to identify areas of operational improvement and efficiency, unlocking of capital from idle or under-utilised assets and identify aspects of cost over-runs and undesirable expenses incurred due to non-compliance or non-adherence to standard operating procedures.

**Health, Environment & Safety**

Sandhar has always taken initiatives to reduce the risk of accidents at its facilities by carrying out trainings, safety audits, and by installing safety devices such as sensors, exhaust, fire extinguishers. The Company observes and celebrates safety day in its facilities to improve awareness among employees on safety at workplaces. In addition to creating initiatives to improve employee safety at workplaces, it has also implement initiatives to reduce the environmental impact of its operations. Such initiatives include:

- Maintaining treatment plants to avoid water pollution and soil contamination;
- Recycling and reusing water wherever possible;
- Ensuring zero discharge wherever possible;
- Implementing 'Swachh Bharat Abhiyan' in all facilities;
- Managing e-wastes and hazardous wastes;
- Installing solar panels to conserve energy;
- Obtaining OHSAS 18001 certification for its units;
- Obtaining LEED Certification (Energy Saving) for its Corporate Office; and
- Planting new saplings on a yearly basis in each one of its units.

Environmental requirements imposed by the Government will continue to have an effect on operations of the Company, though not significant. The Company believes that it has complied with, and will continue to comply with all applicable environmental laws, rules and regulations. The Company has obtained, or is in the process of renewing, all material environmental consents and licenses from the relevant governmental agencies that are necessary for it to carry on with its business. The activities of the Company is subject to the environmental laws and regulations of India which govern, air emissions, waste water discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, natural resource damages, and employee health and employee safety. The Company's overseas subsidiaries in Mexico, Poland and Spain are also subject to regulations relating to environmental, health and safety measures.

# INDEPENDENT AUDITOR'S REPORT

To the Members of **Sandhar Technologies Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the Standalone Financial Statements of Sandhar Technologies Limited ("the Company"), which comprise the Standalone Balance Sheet as at 31 March 2019, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), Standalone Statement of Changes in Equity and Standalone Statement of Cash Flows for the year ended, and notes to the Standalone Financial Statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 ethical requirements that are relevant to our audit of the Standalone Financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current year. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Description of Key Audit Matter**

**Revenue recognition**

See note 2 (i) to the Standalone Financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 16, the Company's revenue from operations for the year ended 31 March 2019 was ₹203,699.38 Lacs. As revenue is qualitatively significant to the Standalone Statement of Profit and Loss and is one of key performance indicators of the Company, there may be risks of material misstatements related to revenue recognition due to which the completeness, existence and accuracy of revenue recognition is identified as a key audit matter. | In view of the significance of the matter, we applied the following audit procedures in this area, amongst others to obtain sufficient appropriate audit evidence:<br>- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;<br>- On a sample basis, making selections from sales entries and tracing to their contracts, invoices, delivery challans and goods outward register.<br>- Trade receivables outstanding at the year end. Selecting a sample of trade receivables and assessing their recoverability with reference to post year end cash receipts.<br>- Selecting a sample of transactions recorded during the year and assessing whether revenue has been recognised in the correct period with reference to supporting invoices, terms and conditions with customers and cash receipts; and<br>- Assessing the appropriateness of unbilled revenue at the year end with reference to post year end billings and cash receipts. |

## Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the 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.

**Management's Responsibility for the Standalone Financial Statements**

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) 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 Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, management and Board of Directors are 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.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone 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 Standalone 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 Standalone 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, 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 Standalone 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 Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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**

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

**(A) 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 Standalone balance sheet, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the Internal Financial Controls with reference to Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

**(B)** With respect to the other matters to be included in the Auditor's 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 as at 31 March 2019 on its financial position in its Standalone Financial Statements - Refer Note 30 to the Standalone Financial Statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

iv. The disclosures in the Standalone Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these Financial Statements since they do not pertain to the financial year ended 31 March 2019.

**(C) With respect to the matter to be included in the Auditor's Report under Section 197(16):**

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W / W-100022

**Shashank Agarwal**
Partner
Membership number:095109

Place: Gurugram
Date: 27 May 2019

# ANNEXURE A REFERRED TO IN OUR INDEPENDENT AUDITOR'S REPORT

**to the members of Sandhar Technologies Limited on the Standalone Financial Statements for the year ended 31 March 2019.**

**(i)** (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment).

(b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its property, plant and equipment by which all fixed assets (property, plant and equipment) are verified once in two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, all fixed assets were physically verified by the management during the previous year. As informed to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property is held in the name of the Company, except for:

| Land situation* | Whether leasehold / freehold | Gross block as at 31 March 2019 (₹ In Lacs) | Net block as at 31 March 2019 (₹ In Lacs) |
|---|---|---|---|
| Attibele | Freehold | 35.02 | 35.02 |
| Chennai | Freehold | 21.31 | 21.31 |
| Manesar | Freehold | 529.15 | 529.15 |
| Mysore | Freehold | 28.54 | 28.54 |
| Peenya | Freehold | 5,006.68 | 5,006.68 |
| **Total** | | **5,620.70** | **5,620.70** |

*The aforesaid lands have been transferred to the Company pursuant to the schemes of amalgamation dated 2 May 2013 and 29 December 2015 for which registration in the name of the Company is pending.

**(ii)** According to the information and explanations given to us, the inventories, except good-in-transit and stock lying with third parties, have been physically verified by the management at the year end. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and nature of its business. For stocks lying with third parties as at the year-end, written confirmation have been obtained. As informed to us, the discrepancies noticed on comparison of physical verification of inventories with book records were not material and have been properly dealt with in the books of account.

**(iii)** According to the information and explanations given to us, the Company has granted loans to two companies covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act').

a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the companies listed in the register maintained under Section 189 of the Act were not, prima facie, prejudicial to the interest of the Company.

b) In case of the loans granted to the companies listed in the register maintained under Section 189 of the Act, the borrower has been regular in the repayment of the principal and payment of interest on such loans as and when demanded by the Company as stipulated.

c) There are no overdue amounts in respect of the loans granted to the companies listed in the register maintained under Section 189 of the Act. Accordingly, para 3 (iii) (c) of the Order is not applicable.

**(iv)** According to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans, investments, guarantees and security made.

**(v)** As per the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, para 3(v) of the Order is not applicable.

**(vi)** The Central Government has prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act for certain activities carried out by the Company. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 148 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

**(vii)** (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employees' State Insurance, Income-tax, Goods and Services Tax ('GST'), Duty of customs and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Income-tax, GST, Service tax, Duty of excise, Sales tax, Value added tax, Duty of customs and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

Also refer note 30, wherein, it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court Judgement on the provident fund matter, management has not recognized and deposited any additional provident fund amount with respect to the previous years.

(b) According to the information and explanations given to us, there are no dues in respect of Income-tax, GST, Sales-tax, Service tax, Duty of custom, Duty of excise and Value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following:

| Name of the Statute | Nature of dues | Financial year to which amount relates | Forum where dispute is pending | Amount (₹ in Lacs) | Amount paid under protest (₹ in Lacs) |
|---|---|---|---|---|---|
| Income Tax Act, 1961 | Demand u/s 143 (1) | A.Y 2010-11 | Assistant Commissioner of Income Tax | 7.60 | - |
| Income Tax Act, 1961 | Demand u/s 143 (3) / 147 | A.Y 2010-11 | Commissioner of Income tax (A) – LTU | 5.10 | - |
| Income Tax Act, 1961 | Interest u/s 201 (1A) | A.Y 2011-12 | Commissioner of Income tax (A) – LTU | 12.69 | - |
| Income Tax Act, 1961 | Disallowance of royalty expenses | A.Y 2012-13 | Commissioner of Income tax (A) – LTU | 0.32 | - |
| Income Tax Act, 1961 | Expenses Disallowed u/s 40(a) | A.Y 2011-12 | Income tax Appellate Tribunal (ITAT) | 24.29 | - |
| Income Tax Act, 1961 | Expenses disallowed u/s 35(2AB) | A.Y 2013-14 | Commissioner of Income tax (A) – LTU | 64.54 | - |
| Income Tax Act, 1961 | Expenses disallowed u/s 35(2AB) | A.Y 2014-15 | Income tax Appellate Tribunal (ITAT) | 3.12 | - |
| Income Tax Act, 1961 | Expenses disallowed u/s 35(2AB) | A.Y 2015-16 | Commissioner of Income tax (A) – LTU | 4.06 | - |
| Income Tax Act, 1961 | Expenses disallowed u/s 35(2AB) | A.Y 2016-17 | Commissioner of Income tax (A) – LTU | 1.48 | - |
| Income Tax Act, 1961 | Penalty Proceed | A.Y 2014-15 | Commissioner of Income tax (A) – LTU | 3.12 | - |
| Haryana Sales Tax Act | Local area development tax levied | F.Y. 2000-01 | Joint Commissioner (A), Sales Tax | 1.27 | - |
| Finance Act 1994, Service Tax | Service tax on freight | F.Y. 2005-2006 | Assistant Commissioner, Central Excise | 1.18 | - |
| Finance Act 1994, Service Tax | Service tax on freight | F.Y. 2016-17- July-2016 to March-2017 | Supdt.Central Goods and Services Tax Gurugram | 8.76 | - |
| Finance Act 1994, Service Tax | Service tax on Man Power for Job work | F.Y. 2005-2006 to 2009-10 | Joint Commissioner, CE, LTU, Delhi | 65.38 | - |
| Finance Act 1994, Service Tax | Service tax on Man Power for Job work | F.Y. 2009-2010 to F.Y 2010-11 | Joint Commissioner, CE, LTU, Delhi | 35.40 | - |
| Finance Act 1994, Service Tax | Service tax on Man Power for Job work | March-2011 to Feb-2015 | Additional Commissioner, Central Excise | 160.29 | - |
| Finance Act 1994, Service Tax | Service tax on Commercial & industrial construction | F.Y. 2006-2007 | Assistant Commissioner, Central Excise | 2.11 | - |
| Finance Act 1994, Service Tax | Service tax on Commercial & industrial construction | F.Y. 2008-09 to 2010-11 | CESTAT, Chandigarh | 8.23 | - |
| Finance Act 1994, Service Tax | Service tax on canteen charges & courier services | F.Y. 2007-2012 | Superintendent .Central Excise, Deputy Commissioner, Central excise | 0.54 | - |

| Name of the Statute | Nature of dues | Financial year to which amount relates | Forum where dispute is pending | Amount (₹ in Lacs) | Amount paid under protest (₹ in Lacs) |
|---|---|---|---|---|---|
| Finance Act 1994, Service Tax | Service tax on various outward freight, & Telephone Service | F.Y. 2016-17- July-16 to March-17 | Assistant Commissioner, Central Excise | 1.30 | - |
| Finance Act 1994, Service Tax | Service tax on taking credit for levy of service tax on Outdoor catering services | F.Y. 2009-2010 | Dy. Commissioner, Central Excise LTU Delhi | 0.49 | - |
| Finance Act 1994, Service Tax | Service tax on Civil construction, CHA, maintenance or repair, outward freight, Travel Agent, Catering, Pandal Shamiana, Authorized Service Station, & Telephone Service | February-2004 to November -2011 | Commissioner and Deputy Commissioner, Central Excise | 33.85 | - |

**(viii)** According to the information and explanations given to us, there is no default existing at the balance sheet date in repayment of loans or borrowings to banks and a financial institution. The Company did not have any outstanding dues to any debenture holder and government during the year.

**(ix)** In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, during the current year, the Company has utilized all the money raised by way of initial public offer, for the purpose for which they were raised. Further, the Company did not raise any money by way of further public offer (including debt instruments) during the year.

**(x)** According to the information and explanations given to us, no material fraud by the Company and neither any material fraud on the Company by its officers or employees has been noticed or reported during the year.

**(xi)** According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provisions of Section 197 read with Schedule V of the Act.

**(xii)** 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.

**(xiii)** According to the information and explanation given to us and on the basis of our examination of the records of the Company, all the transactions with related parties are in compliance with the provisions of Section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Standalone Financial Statements as required by the applicable accounting standards.

**(xiv)** According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

**(xv)** According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or person connected with him. Accordingly, paragraph 3 (xv) of the Order is not applicable.

**(xvi)** According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W / W-100022

**Shashank Agarwal**
Partner
Membership number:095109

Place: Gurugram
Date: 27 May 2019

# ANNEXURE B REFERRED TO IN OUR INDEPENDENT AUDITOR'S REPORT

**on the Standalone Financial Statements of Sandhar Technologies Limited for the year ended 31 March 2019**

**Report on the Internal Financial Controls with reference to the aforesaid Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**(Referred to in paragraph 1 (A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### Opinion

We have audited the Internal Financial Controls with reference to Standalone Financial Statements of Sandhar Technologies Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate Internal Financial Controls with reference to Standalone Financial Statements and such Internal Financial Controls were operating effectively as at 31 March 2019, based on the Internal Financial Controls with reference to Standalone 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 (the "Guidance Note").

### Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining Internal Financial Controls based on the Internal Financial Controls with reference to Standalone Financial Statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 (hereinafter referred to as "the Act").

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's Internal Financial Controls with reference to Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to Standalone 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 Standalone Financial Statements were established and maintained and whether 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 Standalone Financial Statements and their operating effectiveness. Our audit of Internal Financial Controls with reference to Standalone 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 the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Standalone 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 Standalone Financial Statements.

### Meaning of Internal Financial controls with Reference to Standalone Financial Statements

A Company's Internal Financial Controls with reference to Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's Internal Financial Controls with reference to Standalone Financial Statements include 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 Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Financial Statements.

### Inherent Limitations of Internal Financial controls with Reference to Standalone Financial Statements

Because of the inherent limitations of Internal Financial Controls with reference to Standalone 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 Standalone Financial Statements to future periods are subject to the risk that the Internal Financial Controls with reference to Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W / W-100022

**Shashank Agarwal**
Partner
Membership number:095109

Place: Gurugram
Date: 27 May 2019

# STANDALONE BALANCE SHEET as at March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | Notes | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 57,731.75 | 51,916.96 |
| Capital work-in-progress | | 2,799.58 | 6,360.16 |
| Goodwill | 4 | 552.35 | 552.35 |
| Other Intangible assets | 4 | 666.24 | 873.84 |
| Financial assets | 5 | | |
| - Investments | 5A | 6,744.19 | 4,927.71 |
| - Loans | 5B | 918.81 | 767.32 |
| Income-tax assets | 7 | 99.31 | 99.31 |
| Other non-current assets | 7 | 731.46 | 1,307.95 |
| **Total non-current assets** | | **70,243.69** | **66,805.60** |
| **Current assets** | | | |
| Inventories | 6 | 13,454.96 | 12,195.98 |
| Financial assets | 5 | | |
| - Loans | 5B | 405.06 | 313.67 |
| - Trade receivables | 5C | 30,068.43 | 23,480.12 |
| - Cash and cash equivalents | 5D | 57.92 | 25,347.17 |
| - Other bank balances | 5E | 105.93 | 101.69 |
| - Other financial assets | 5F | 1,341.50 | 1,029.35 |
| Other current assets | 7 | 2,198.28 | 2,836.82 |
| **Total current assets** | | **47,632.08** | **65,304.80** |
| **Assets held for sale** | | **96.64** | **97.17** |
| **Total assets** | | **117,972.41** | **132,207.57** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 8 | 6,019.07 | 6,019.07 |
| Other equity | 9 | 64,846.31 | 56,338.65 |
| **Total equity** | | **70,865.38** | **62,357.72** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| - Borrowings | 10 | 59.43 | 100.25 |
| - Other financial liabilities | 12 | 3.95 | 3.76 |
| Deferred tax liabilities (net) | 15 | 1,165.00 | 565.32 |
| **Total non current liabilities** | | **1,228.38** | **669.33** |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| - Borrowings | 10 | 11,317.25 | 7,399.40 |
| - Trade payables | 11 | | |
| • total outstanding dues of micro enterprises and small enterprises | | 1,387.97 | 2,069.36 |
| • total outstanding dues of creditors other than micro enterprises and small enterprises | | 27,981.86 | 26,877.45 |
| - Other financial liabilities | 12 | 1,987.67 | 29,148.24 |
| Other current liabilities | 13 | 1,599.71 | 1,157.71 |
| Income-tax Liabilities | 14 | 323.63 | 1,376.69 |
| Provisions | 14 | 1,280.56 | 1,151.67 |
| **Total current liabilities** | | **45,878.65** | **69,180.52** |
| **Total equity and liabilities** | | **117,972.41** | **132,207.57** |
| Significant accounting policies | 2 | | |

The accompanying notes are an integral part of these Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and
Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary
and Chief Financial Officer
DIN:01877905

**K.L. Chugh**
Non-Executive,
Independent Director
DIN:00140124

**M.L. Bhagat**
Non-Executive,
Independent Director
DIN:00699750

**Ravinder Nagpal**
Non-Executive,
Independent Director
DIN:00102970

**Arvind Kapur**
Non-Executive,
Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# STANDALONE STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| | Particulars | Notes | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|---|
| **I** | **REVENUE** | | | |
| | Revenue from operations | 16 | 203,699.38 | 172,139.97 |
| | Other Income | 17 | 627.42 | 444.07 |
| | **Total Income (I)** | | **204,326.80** | **172,584.04** |
| **II** | **EXPENSES** | | | |
| | Cost of raw materials and components consumed | 18 | 130,424.56 | 107,147.78 |
| | Changes in inventories of finished goods and work-in-progress | 19 | (331.58) | (331.42) |
| | Excise duty on sale of goods | | - | 3,722.83 |
| | Employee benefits expense | 20 | 24,251.22 | 20,201.66 |
| | Finance costs | 23 | 1,745.91 | 3,811.87 |
| | Depreciation and amortization expense | 21 | 6,669.80 | 5,512.79 |
| | Other expenses | 22 | 27,221.78 | 22,750.80 |
| | **Total expenses (II)** | | **189,981.69** | **162,816.31** |
| **III** | **Profit before exceptional item and tax ( III = I - II )** | | **14,345.11** | **9,767.73** |
| | Exceptional item | 24 | 148.05 | - |
| **IV** | **Profit before tax (IV)** | | **14,197.06** | **9,767.73** |
| **V** | **Tax expense:** | | | |
| | (1) Current tax | | 4,079.07 | 2,966.97 |
| | (4) Deferred tax charge | | 585.29 | 28.11 |
| | **Total tax expense (V)** | | **4,664.36** | **2,995.08** |
| **VI** | **Profit for the year ( VI = IV - V )** | | **9,532.70** | **6,772.65** |
| **VII** | **Other Comprehensive Income (VII)** | | | |
| | Items that will not be reclassified to profit or loss | | | |
| | Re-measurement gain/(losses) on defined benefit plans | 25 | (100.08) | (88.05) |
| | Income tax relating to re-measurement loss on defined benefit plans | | 34.97 | 30.47 |
| | **Total Other Comprehensive Income for the year (net of tax)** | | **(65.11)** | **(57.58)** |
| **VIII** | **Total Comprehensive Income for the year ( VIII = VI - VII ) (Comprising Profit and Other Comprehensive Income for the year)** | | **9,467.59** | **6,715.07** |
| **IX** | **Earnings per equity share:** | | | |
| | (1) Basic-Par value of ₹10 per share | 26 | 15.84 | 13.21 |
| | (2) Diluted-Par value of ₹10 per share | | 15.84 | 13.21 |
| | Significant accounting policies | 2 | | |

The accompanying notes are an integral part of these Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

Place: Gurugram
Date: 27 May 2019

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and Managing Director
DIN:00100801

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DIN:00102970

**Arvind Kapur**
Non-Executive, Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive, Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

# STANDALONE STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## A. Equity share capital:

| Particulars | Note | Equity Shares | |
|---|---|---|---|
| | | No. of shares in lacs | Amount |
| **Balance as at 1 April 2017** | | **511.55** | **5,115.46** |
| Changes during the year | 8 | 90.36 | 903.61 |
| **Balance as at 31 March 2018** | | **601.91** | **6,019.07** |
| Changes during the year | | - | - |
| **Balance as at 31 March 2019** | | **601.91** | **6,019.07** |

## B. Other equity

| Particulars | Reserves and Surplus (1) | | | Items of other comprehensive income (2) | Total |
|---|---|---|---|---|---|
| | Retained earnings | Security Premium | Capital reserves | Remeasurements of defined benefit liability | |
| **Balance as at 1 April 2017** | **20,985.57** | **311.36** | **2,653.66** | **(93.45)** | **23,857.14** |
| Transactions with owners directly recorded in equity | | | | | |
| Fresh issue of equity shares | - | 29,096.38 | - | - | 29,096.38 |
| Share issue expenses | - | (1,485.32) | - | - | (1,485.32) |
| Total Comprehensive income for the year ended 31 March 2018 | | | | | - |
| Profit for the Year | 6,772.65 | - | - | - | 6,772.65 |
| Other comprehensive income (net of tax) | - | - | - | (57.58) | (57.58) |
| Contribution by and distribution to owner | | | | | - |
| Dividend on equity shares (Final) | (511.55) | - | - | - | (511.55) |
| Dividend on equity shares (Interim) | (1,023.09) | - | - | - | (1,023.09) |
| Tax on Dividend (interim and final) | (309.98) | - | - | - | (309.98) |

# STANDALONE STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | Reserves and Surplus (1) | | | Items of other comprehensive income (2) | Total |
|---|---|---|---|---|---|
| | Retained earnings | Security Premium | Capital reserves | Remeasurements of defined benefit liability | |
| **Balance as at 31 March 2018** | **25,913.60** | **27,922.42** | **2,653.66** | **(151.03)** | **56,338.65** |
| Transactions with owners directly recorded in equity | | | | | |
| Share issue expenses | - | (62.75) | - | - | (62.75) |
| Total Comprehensive income for the year ended 31 March 2019 | | | | | - |
| Profit for the Year | 9,532.70 | - | - | - | 9,532.70 |
| Other comprehensive income (net of tax) | - | - | - | (65.11) | (65.11) |
| Contribution by and distribution to owner | | | | | - |
| Dividend on equity shares (Interim) | (752.38) | - | - | - | (752.38) |
| Tax on Dividend (interim) | (144.80) | - | - | - | (144.80) |
| **Balance as at 31 March 2019** | **34,549.12** | **27,859.67** | **2,653.66** | **(216.14)** | **64,846.31** |

**Notes:**

1. During the year ended 31 March 2019 and 31 March 2018, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.
2. Refer note 9 for nature and purpose of other equity

The accompanying notes are an integral part of these Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

Place: Gurugram
Date: 27 May 2019

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary and Chief Financial Officer
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**Arvind Kapur**
Non-Executive, Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive, Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

# STANDALONE STATEMENT OF CASH FLOWS for the year ended March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| **A** | **Cash flow from operating activities** | | |
| 1 | **Profit before tax** | 14,197.06 | 9,767.73 |
| 2 | **Adjustments for :** | | |
| | Depreciation and amortization expense | 6,669.80 | 5,512.79 |
| | Loss on account of impairment of investment in joint venture | 148.05 | - |
| | Loss/ (Profit) on sale of property, plant and equipment | (37.17) | 22.94 |
| | Bad debts and advances written off | 20.66 | - |
| | Unrealised foreign exchange (gain)/loss | 8.93 | 38.99 |
| | Interest expense | 1,745.91 | 3,811.87 |
| | MTM loss on derivative liability | - | 26.55 |
| | Interest income on security deposits measured at amortised cost | (11.06) | (10.64) |
| | Gain on investments carried at fair value through profit or loss | (0.15) | (43.29) |
| | Interest income | (118.56) | (63.40) |
| | Government grant | - | (3.00) |
| | Dividend income | (47.95) | (11.99) |
| 3 | **Operating profit before working capital changes (1+2)** | **22,575.52** | **19,048.55** |
| 4 | **Movements in working capital:** | | |
| | Increase in trade receivables | (6,612.24) | (6,366.20) |
| | Increase in inventories | (1,258.97) | (2,624.52) |
| | Increase in long-term loans and advances | (151.49) | (344.39) |
| | Decrease/(Increase) in financial assets, including assets held for sale | (400.76) | 160.04 |
| | Decrease/(Increase) in other current assets | 638.54 | (1,414.86) |
| | Increase in trade payables | 417.34 | 10,431.04 |
| | Increase in current provisions | 63.79 | 62.71 |
| | Increase/(Decrease) in other financial liabilities | 32.14 | (7.28) |
| | Increase in other current liabilities | 442.00 | 438.37 |
| | **Total movement in working capital:** | **(6,829.65)** | **334.91** |
| 5 | **Cash generated from operations (3+4)** | **15,745.87** | **19,383.46** |
| 6 | **Income tax paid (net of refunds)** | **5,117.74** | **1,737.88** |
| 7 | **Net cash generated from operating activities (5-6)** | **10,628.13** | **17,645.58** |
| **B** | **Cash flow from investing activities:** | | |
| | Purchase of Property, plant and equipment, Capital work in progress, other intangible assets and capital advances | (9,814.02) | (14,135.71) |
| | Proceeds from sale of property, plant and equipment | 159.52 | 66.75 |
| | Purchase of non-current investment in joint ventures | (1,964.38) | (1,387.92) |
| | Redemption/(Increase) of Bank deposits (having original maturity of more than 3 months) | (4.24) | 0.74 |
| | Dividend income | 47.95 | 11.99 |
| | Interest received | 127.37 | 74.77 |
| | **Net cash used in investing activities:** | **(11,447.80)** | **(15,369.38)** |
| **C** | **Cash flow from financing activities:** | | |
| | Repayment of long-term borrowings | (25,446.35) | (6,206.03) |
| | Proceeds from long-term borrowings | - | 8,209.89 |
| | (Repayment)/ proceeds from short-term borrowings (net) | 3,917.85 | (2,001.76) |
| | Proceeds from issue of equity share capital | - | 30,000.00 |
| | Share issue expenses | (62.75) | (1,485.32) |
| | Dividend paid during the year (including dividend distribution tax) | (897.18) | (1,844.61) |
| | Interest paid | (1,981.15) | (3,842.53) |
| | **Net cash (used in)/generated from financing activities:** | **(24,469.58)** | **22,829.64** |
| **D** | **Net increase/(decrease) in Cash and cash equivalents (A+B+C)** | **(25,289.25)** | **25,105.84** |

# STANDALONE STATEMENT OF CASH FLOWS for the year ended March 31, 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|
| **E - 1 Cash and cash equivalents as at the beginning of year** | 25,347.17 | 241.33 |
| **E - 2 Cash and cash equivalents as at end of the year** | 57.92 | 25,347.17 |
| **Cash and cash equivalents include :** | | |
| Balances with banks: | | |
| – In current accounts | 1.27 | 25,339.54 |
| – Cheques on hand | 41.99 | - |
| Cash on hand | 14.66 | 7.63 |
| **Cash and cash equivalents at the end of the year** | **57.92** | **25,347.17** |

**Reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities:**

| Particulars | Non - current borrowings* | Current borrowings |
|---|---|---|
| **Opening balance as at 1 April 2018** | **25,669.38** | **7,399.40** |
| Cash flows during the year | (25,552.67) | 3,917.85 |
| Non-cash changes: | - | - |
| **Closing balance as at 31 March 2019** | **116.71** | **11,317.25** |

*Includes current maturities of non-current borrowings and interest accrued thereon, refer Note 12.

**Notes:**

1. The standalone cash flow statement has been prepared in accordance with "Indirect Method" as set out on Indian Accounting Standard -7 on "Statement on Cash Flows ".
2. Refer note 2 for significant accounting policies.
3. The Company paid in cash ₹196.83 Lacs for the year ended 31 March 2019 and ₹86.93 Lacs for the year ended 31 March 2018 towards Corporate Social Responsibility (CSR) expenditure.

The accompanying notes are an integral part of these Standalone Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
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**D.N. Davar**
Chairman
DIN:00002008

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**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 1. Corporate information

Sandhar Technologies Limited ('STL' or 'the Company') is a Public Limited Company domiciled in India. The Company was incorporated on 19 October 1987 in New Delhi, India. The Company is primarily engaged in the manufacturing and assembling of safety and security systems and its associated components for the automotive industry.

## 2. Significant accounting policies

### 2.1 Basis of preparation

#### (i) Statement of compliance

These Standalone Financial Statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of Companies Act, 2013 (the 'Act'), read with Companies (Indian Accounting Standards) Rules as amended from time to time and other relevant provisions of the Act.

Effective 1 April 2016, the Company transitioned to Ind AS while the Financial Statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected to certain exemption which are listed as below:

**a) Business Combination:**

Company has opted for exemption under Ind AS 101 with respect to Business Combinations whereby Company has elected not to apply Ind AS 103 retrospectively to past business combinations i.e. to business combinations that occurred before the date of transition to Ind AS.

**b) Deemed cost exemption on Property, Plant and Equipment**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

**c) Investment in subsidiaries:**

As per the requirements of Ind AS 27, Company has opted to record its equity investment in subsidiary at cost. Ind AS 101 provides that while measuring investment at cost, an entity shall measure that investment at one of the following amounts in its separate opening Ind AS Balance Sheet:

(i) cost determined in accordance with Ind AS 27; or

(ii) deemed cost. The deemed cost of such an investment shall be its

(a) fair value at the entity's date of transition to Ind ASs in its Separate Financial Statements; or

(b) previous GAAP carrying amount at that date.

Accordingly, Company has opted to record its investment in subsidiary at previous GAAP carrying amount at transition date.

**d) Leases:**

Ind AS 101 permits that if there is any land lease newly classified as finance lease then the first time adopter may recognise assets and liability at fair value on that date; and any difference between those fair values is recognized in retained earnings.

Company has therefore classified land leases with multi decade lease periods as finance lease as on transition date.

#### (ii) Functional and presentation currency

These Standalone Financial Statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest Lakhs, unless otherwise indicated.

#### (iii) Basis of measurement

These Standalone Financial Statements have been prepared on a historical cost basis, except for the following items which have been measured at fair value or revalued amount:

| Items | Measurement basis |
|---|---|
| Certain financial assets and financial liability | Fair value |
| Investment in preference shares (unquoted) | Fair value |
| Net defined benefit plan (asset)/ liability | Fair value of plan assets less present value of defined benefit obligation. |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

### (iv) Use of estimates and judgements

In preparation of these Standalone Financial Statements, management has made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized prospectively. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Standalone Financial Statements is included in the following notes.

- Recognition and estimation of tax expense including deferred tax– Note 27
- Estimated impairment of financial assets and non-financial assets – Note 2.4 (o)
- Assessment of useful life of property, plant and equipment and intangible asset – Note 2.4 (a)
- Estimation of obligations relating to employee benefits: key actuarial assumptions – Note 29
- Valuation of Inventories – Note 2.4 (g)
- Recognition and measurement of provision and contingencies: Key assumption about the likelihood and magnitude of an outflow of resources – Note 30
- Lease classification – Note 33
- Fair value measurement – Note 2.1 (v)

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months.

### (v) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 37 – Financial instrument.

## 2.2 Changes in significant accounting policies

**The Company has initially applied Ind AS 115 from 1 April 2018.**

Due to the transition methods chosen by the company in applying the above standard, comparative information throughout these Standalone Financial Statements has not been restated to reflect the requirements of the new standard.

There is no significant impact of transition from Ind AS 18 to Ind AS 115 in recognizing revenue by the Company.

Ind AS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced Ind AS 18 Revenue Recognition, Ind AS 11 Construction Contracts and related interpretations. Under Ind AS 115, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Company has adopted Ind AS 115 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2017-18 has not been restated – i.e. it is presented, as previously reported, under Ind AS 18, Ind AS 11 and related interpretations. Additionally, the disclosure requirements in Ind AS 115 have not generally been applied to comparative information.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**2.3 Summary of significant accounting policies**

**a. Property, plant and equipment**

**(i) Recognition and Measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment includes its purchase price, import duties and non-refundable purchase taxes, duties or levies, after deducting trade discounts and rebates, any other directly attributable cost of bringing the asset to its working condition for its intended use and estimated cost of dismantling and removing the items and restoring the site on which it is located. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 2.1(iv) regarding significant accounting judgements, estimates and assumptions.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone Statement of Profit and Loss when the asset is derecognized.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

A property, plant and equipment is eliminated from the Standalone Financial Statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are generally stated at the lower of their net book value and net realizable value. Any gain or losses arising on disposal of property, plant and equipment is recognized in the Standalone Statement of Profit and Loss.

Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Standalone Statement of Profit and Loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**(iii) Depreciation**

Depreciation on property, plant and equipment is calculated on a straight-line basis to allocate their cost, net of their estimated residual values, over the estimated useful lives and is recognized in the Standalone Statement of Profit and Loss. The identified components are depreciated over their useful life, the remaining asset is depreciated over the life of the principal asset. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Leasehold land is amortized on a straight line basis over the period of the lease which ranges between 89-99 years.

The Company has used the following rates to provide depreciation which coincides with the rates indicated in Schedule II of the Act on its property, plant and equipment, except for temporary erection, Computers (Servers and networks) and Non – commercial vehicles.

| Asset category | Useful lives estimated by the management (years) |
|---|---|
| Factory Buildings | 30 years |
| Other Buildings | 60 years |
| Carpeted RCC Roads | 10 years |
| Tube wells | 5 years |
| Plant and Machinery | 7.5 – 15 years |
| Electrical Installations | 10 years |
| Office Equipment | 5 years |
| Racks and Bins | 10 years |
| Furniture & Fixtures | 10 years |
| Commercial Vehicles | 8 years |
| Tools, Moulds and Dies | 6 years |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

The management has estimated, supported by independent assessment by technical experts, professionals, the useful lives of the following classes of assets:

- The useful lives of temporary erection is estimated 1 year, which is lower than those indicated in Schedule II
- Computers (Servers and networks) are depreciated over the estimated useful lives of 3 years, which is lower than those indicated in Schedule II.
- Non Commercial Vehicles are depreciated over the estimated useful lives of 6 years, which is lower than those indicated in Schedule II.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

**b. Intangible assets**

**(i) Recognition and Measurement**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an item of intangible asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Standalone Statement of Profit or Loss in the period in which the expenditure is incurred.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Standalone Statement of Profit and Loss.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the Standalone Statement of Profit and Loss as incurred.

**(iii) Amortization**

The useful lives of intangible assets are assessed as either finite or indefinite

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made prospective basis.

**- Technical knowhow**

Amounts paid towards technical know-how fees for specifically identified projects/products being development expenditure incurred towards product design is carried forward based on assessment of benefits arising from such expenditure. Such expenditure is amortized over the period of expected future sales from the related product, i.e. the estimated period of 60 to 72 months on straight line basis based on past trends, commencing from the month of commencement of commercial production.

**- Software**

Software purchased by the Company are amortized on a straight line basis i.e. non-standard (customized) software in four years and standard (non-customized) software in five years.

**- Goodwill**

Goodwill is not amortized but will be tested for impairment annually.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Standalone Statement of Profit and Loss when the asset is derecognized.

Amortization method, useful lives and residual lives are reviewed at the end of each financial year and adjusted, if appropriate.

## c. Leases

### (i) Determining whether an arrangement contains a lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the incremental borrowing rate.

### (ii) Assets held under lease

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Standalone Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs (See note 2.4d). Contingent rentals are recognized as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policies applicable to similar owned assets. Assets held under leases that do not transfer to the Company substantially all the risk and rewards of ownership (i.e. operating lease) are not recognized in the Company's Balance Sheet.

### (iii) Lease payments

Payments made under operating leases are generally recognized in the Standalone Statement of Profit and Loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase. Lease incentive received are recognized as an integral part of the total lease expense over the term of the lease.

Payments made under finance lease are allocated between the outstanding liability and finance cost. The finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## d. Borrowing Costs

Borrowing cost includes 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), amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred.

## e. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

smallest Group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

An asset's recoverable amount is the higher of an individual asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

The Company's corporate assets do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses, if any, are recognized in the Standalone Statement of Profit and Loss. Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Standalone Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### f. Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating revenue on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

### g. Inventories

Inventories which includes raw materials, components, stores, work in progress, finished goods and spares are valued at the lower of cost and net realizable value. However, raw materials, components and other items

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost or in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and components: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of raw material, components, stores and spares is determined on first in, first out basis.
- Finished goods and work in progress: Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost is determined on first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of work-in-progress is determined with reference to the selling prices of related finished products.

The comparison of cost and net realizable value is made on an item-by-item basis.

## h. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at functional currency spot rates at the date the transaction first qualifies for recognition or an average rate if the average rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Exchange differences arising on settlement or translation of monetary items are recognized in the Standalone Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or the statement of profit and loss are also recognized in OCI or the statement of profit and loss, respectively).

## i. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

However, sales tax/ value added tax (VAT)/ Goods and Services Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

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

Effective 1 April 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue.

The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. 1 April 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the Standalone Statement of Profit and Loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18. Refer note

2.2 (i) – Significant accounting policies – Revenue recognition in the Annual report of the Company for the year ended 31 March 2018, for the revenue recognition policy as per Ind AS 18. The impact of the adoption of the standard on the Standalone Financial Statements of the Company is insignificant.

**Sale of goods**

The Company recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

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

Unearned or deferred revenue is recognised when there is billings in excess of revenues.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

Use of significant judgements in revenue recognition:

a) The Company's contracts with customers could include promises to transfer products to a customer. The Company assesses the products promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

b) Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

c) The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.

d) The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

**Rendering of services**

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Job work and development charges are recognized upon full completion of the job work and development services and when all the significant risks and rewards of ownership of the goods have been passed to the buyer, on delivery of the goods and no significant uncertainty exists regarding the collection of the consideration.

**Interest income**

For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in the statement of profit and loss.

**Dividends**

Revenue is recognized when the Company's right to receive the payment is established by the reporting date.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

### j. Income tax

Income tax expense comprises current and deferred tax. It is recognized in the Standalone Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognized directly in equity or in other comprehensive income.

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

**Deferred tax**

Deferred tax is provided using the Balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences.

In the situations where the Company is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax asset is recognized in respect of timing differences which are reversed during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

Deferred tax assets are recognized on carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

## k. Segment reporting

**Basis for segmentation**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The Company is primarily engaged in the manufacturing and assembling of safety and security systems and its associated components for the automotive industry. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segments and assess their performance. CODM believes that these are governed by same set of risk and returns hence CODM reviews as one balance sheet component.

## l. Earnings per share (EPS)

Basic earnings / (loss) per share are calculated by dividing the Profit or Loss for the year attributable to the shareholders of the Company by the weighted average number of equity shares outstanding at the end of the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, if any, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earning per share, the profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares except where the results will be anti-dilutive.

## m. Provisions (Other than employee benefits)

**General 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 the expense relating to a provision is presented in the statement of profit and loss net of any reimbursement. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

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.

**Warranty provisions**

Provision for warranty related costs are recognized when the product is sold or service provided and is based on historical experience. The provision is based on technical evaluation/ historical warranty data and after weighting of all possible outcomes by their associated probabilities. The estimate of such warranty related costs is revised annually. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**Contingent liability**

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 arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

## n. Employee benefits

**i. Short-term employee benefits**

All employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. 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, if the Company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

**ii. Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions to the Regional Provident Fund Commissioner towards provident fund

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

and employee state insurance scheme ('ESI'). Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the Statement of Profit and Loss in the periods during which the related services are rendered by employees. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

**iii. Defined benefit plans**

The Company operates a defined benefit gratuity plan, which requires contributions to be made to Kotak Mahindra Old Mutual Life Insurance Limited and LIC of India. There are no other obligations other than the contribution payable to the respective trust.

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

**iv. Other long term employee benefits**

Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

As per the compensated absence encashment policy, the Company does not have an unconditional right to defer the compensated absence of employees, accordingly the entire compensated absence obligation as determined by an independent actuary has been classified as current liability as at the period/ year end.

**o. Financial instruments**

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

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**i. Recognition and initial measurement**

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue.

**ii. Classification and subsequent measurement**

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair Value through Other Comprehensive Income ('FVOCI') – debt instrument;
- FVOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables. Company has recognized financial assets viz. security deposit, trade receivables, employee advances at amortized cost.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On de-recognition of the asset, cumulative gain or loss previously recognized in OCI is re-classified from the equity to Standalone Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Standalone Statement of Profit and Loss.

### Investments in joint ventures

Investments in joint ventures are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in joint ventures, the difference between net disposal proceeds and the carrying amounts are recognized in the Standalone Statement of Profit and Loss.

### Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognized in the Standalone Statement of Profit and Loss.

### Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingents events that would change the amounts or timings of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non - recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual amount, as feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investment at FVOCI | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investment at FVOCI | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss. |

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

### iii. Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

### iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### v. Derivative financial instruments

The Company uses derivative instruments such as foreign exchange forward contracts and currency swaps to hedge its foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognized in profit and loss.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

### Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on:

- Financial assets measured at amortized cost; and
- Financial assets measured at FVOCI – debt instruments.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit – impaired includes the following observable data:

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Standalone Statement of the Profit and Loss and is recognized in OCI.

### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Company's procedures for the recovery of amount due.

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

a. Financial assets that are debt instruments, and are measured at amortized cost e.g., deposits and advances

b. Trade receivables that result from transactions that are within the scope of Ind AS 115

c. Financial guarantee contracts which are not measured as at FVTPL.

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

  ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Standalone Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Standalone Statement of Profit and Loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortized cost and contractual revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

## p. Recognition of interest expense

**Interest expense is recognized using effective interest method.**

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to:

- the amortized cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortized cost of the liability.

## q. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and cheques on hand, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank, cash on hand and cheques on hand as they are considered an integral part of the Company's cash management.

## r. Cash flow statement

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

## s. Cash dividend and non-cash distribution to equity holders of the parent

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.

## t. Corporate Social Responsibility ("CSR") expenditure:

CSR expenditure incurred by the Company is charged to the Standalone Statement of the Profit and Loss.

## u. Research and development:

Expenditure on research and development activities is recognized in the Standalone Statement of Profit and Loss as incurred.

Development expenditure is capitalized as part of cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

## v. Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective from 1 April 2019:

### A. Ind AS 116 - 'Leases'

Ind AS 116 sets out principles for recognition, measurement, presentation and disclosure of

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Standalone Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements as per Ind AS 17. This new standard provides two approaches to transition:

1. Full retrospective approach- Under this approach, the lessee applies the new standard retrospectively to each prior period presented and recognised an adjustment in equity at the beginning of the earliest period presented in accordance with Ind AS -8.

2. Modified retrospective approach- Under this approach, the lessee applies the new standard from the beginning of the current period and recognised an adjustment in equity at the beginning of the current and does not restate its prior financial information.

The effective date for adoption of this standard is annual period beginning on or after 1 April 2019. The Company will adopt this standard using modified retrospective approach effective 1 April 2019 for transition to IND AS 116 and will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

The Company has completed an initial assessment of the potential impact on its Standalone Financial Statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the Standalone Financial Statements in the period of initial application is not reasonably estimable as at present.

**B. Amendment to Ind AS 19 – ‘Employee benefits’**

The amendments to Ind AS 19, clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company does not expect this amendment to have any significant impact on its Standalone Financial Statements.

**C. Amendments to Ind AS 12 - ‘Income taxes’**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability.

The Company does not expect any significant impact of the above amendment on its Standalone Financial Statements.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 3. Property, plant and equipment

| Particulars | Freehold Land (refer note 1 below) | Leasehold Land | Buildings | Plant and Equipment | Office equipments | Vehicles | Furnitures and Fixtures | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value as at 1 April 2017** | **10,245.69** | **2,384.66** | **13,419.09** | **22,526.60** | **1,193.25** | **441.05** | **450.93** | **50,661.27** |
| Additions | 222.59 | - | 2,328.86 | 7,611.94 | 371.21 | 163.47 | 175.47 | 10,873.54 |
| Disposals | - | - | 7.73 | 99.30 | 0.55 | - | 1.82 | 109.40 |
| **Balance as at 31 March 2018** | **10,468.28** | **2,384.66** | **15,740.22** | **30,039.24** | **1,563.91** | **604.52** | **624.58** | **61,425.41** |
| Additions | 164.38 | - | 2,469.80 | 8,903.28 | 370.60 | 79.52 | 267.11 | 12,254.69 |
| Disposals | - | - | 5.72 | 491.13 | 30.60 | 45.15 | 2.51 | 575.11 |
| **Balance as at 31 March 2019** | **10,632.66** | **2,384.66** | **18,204.30** | **38,451.39** | **1,903.91** | **638.89** | **889.18** | **73,104.99** |
| | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | |
| **Balance as at 1 April 2017** | **-** | **25.76** | **551.40** | **3,308.29** | **297.17** | **71.47** | **81.27** | **4,335.36** |
| Depreciation for the year | - | 25.82 | 658.95 | 3,989.63 | 337.23 | 109.68 | 91.49 | 5,212.80 |
| Accumulated depreciation on disposal | - | - | 0.92 | 38.04 | - | - | 0.75 | 39.71 |
| **Balance as at 31 March 2018** | **-** | **51.58** | **1,209.43** | **7,259.88** | **634.40** | **181.15** | **172.01** | **9,508.45** |
| Depreciation for the year | - | 25.86 | 780.22 | 4,923.11 | 370.24 | 102.42 | 115.70 | 6,317.55 |
| Accumulated depreciation on disposal | - | - | 3.69 | 375.92 | 30.40 | 40.31 | 2.44 | 452.76 |
| **Balance as at 31 March 2019** | **-** | **77.44** | **1,985.96** | **11,807.07** | **974.24** | **243.26** | **285.27** | **15,373.24** |
| | | | | | | | | |
| **Net carrying amount** | | | | | | | | |
| **As at 31 March 2019** | **10,632.66** | **2,307.22** | **16,218.34** | **26,644.32** | **929.67** | **395.63** | **603.91** | **57,731.75** |
| **As at 31 March 2018** | **10,468.28** | **2,333.08** | **14,530.79** | **22,779.36** | **929.51** | **423.37** | **452.57** | **51,916.96** |

1. **Free hold land**

   a. Land aggregating to ₹614.02 Lacs (31 March 2018: ₹596.70 Lacs) transferred to the Company pursuant to the scheme of amalgamation dated December 29, 2005 are pending for registration in the name of the Company.

   b. Land aggregating to ₹5,006.68 Lacs (31 March 2018: ₹5,006.68 Lacs) transferred to the Company pursuant to the scheme of amalgamation duly approved by Honourable High Court of Delhi, vide it's order dated May 2, 2013 are pending for registration in the name of the Company.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 4. Intangible assets

| Particulars | Computer software | Technical know-how | Goodwill* | Total |
|---|---|---|---|---|
| **Gross carrying value as at 1 April 2017** | **653.51** | **369.88** | **552.35** | **1,575.74** |
| Additions | 42.06 | 409.39 | - | 451.45 |
| **Balance as at 31 March 2018** | **695.57** | **779.27** | **552.35** | **2,027.19** |
| Additions | 122.13 | 30.74 | - | 152.87 |
| **Balance as at 31 March 2019** | **817.70** | **810.01** | **552.35** | **2,180.06** |
| Accumulated amortization | | | | |
| **Balance as at 1 April 2017** | **162.65** | **130.07** | **-** | **292.72** |
| Amortization for the year | 178.65 | 129.63 | - | 308.28 |
| **Balance as at 31 March 2018** | **341.30** | **259.70** | **-** | **601.00** |
| Amortization for the year | 202.31 | 158.16 | - | 360.47 |
| **Balance as at 31 March 2019** | **543.61** | **417.86** | **-** | **961.47** |
| **Net carrying amount** | | | | |
| **As at 31 March 2019** | **274.09** | **392.15** | **552.35** | **1,218.59** |
| **As at 31 March 2018** | **354.27** | **519.57** | **552.35** | **1,426.19** |

***Impairment testing of goodwill**

For the purposes of impairment testing, goodwill is allocated to the Cash Generating Unit (CGU) which represents the lowest level at which the goodwill is monitored for internal management reporting purposes.

The recoverable amount of the cash generating unit was based on its value in use. The value in use of this unit was determined to be higher than the carrying amount and an analysis of the calculation's sensitivity towards change in key assumptions did not identify any probable scenarios where the CGU recoverable amount would fall below their carry amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The calculation was based on the following key assumptions:

i. The anticipated annual revenue growth and margin included in the cash flow projections are based on past experience, actual operating results and the 5-year business plan in all periods presented.

ii. The terminal growth rate ranges from 2% to 3% representing management view on the future long-term growth rate.

iii. Discount rate ranging from 7% to 13% for all periods presented was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on past experience and companies average weighted average cost of capital.

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and based on both internal and external sources.

## 5. Financial assets

**A Non-current Investments**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Investments** | | |
| **Investments at cost** | | |
| **Investments in subsidiaries** | | |
| **(i) Investment in equity shares (Unquoted)** | | |
| 47.95 Lacs (31 March 2018: 47.95 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Tooling Private Limited | 387.19 | 387.19 |
| Nil (31 March 2018: 0.08 Lacs) equity shares of IDR 916,500 each fully paid-up in PT Sandhar Indonesia * | - | 403.90 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 5. Financial assets (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| 32.48 Lacs (31 March 2018: 32.48 Lacs) equity shares of EUR. 1/- each fully paid-up in Sandhar Technologies Barcelona SL | 2,029.00 | 2,029.00 |
| 0.09 Lacs (31 March 2018: 0.09 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Strategic Systems Private Limited | 1.00 | 1.00 |
| **Investments in joint ventures** | | |
| **(ii) Investment in equity shares (Unquoted)** | | |
| 2 Lacs (31 March 2018: 2 Lacs) equity shares of ₹100/- each fully paid-up in Indo Toolings Private Limited | 20.00 | 20.00 |
| 68.54 Lacs (31 March 2018: 68.54 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Han Sung Technologies Private Limited | 685.47 | 685.47 |
| 6.89 Lacs (31 March 2018: 6.89 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Ecco Green Energy Private Limited** | 222.48 | 222.48 |
| 58.08 Lacs (31 March 2018: 24.97 Lacs) equity shares of ₹10/- each fully paid-up in Jinyoung Sandhar Mechatronics Private Limited | 580.80 | 249.70 |
| 54.50 Lacs (31 March 2018: 4 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Amkin Industries Private Limited | 545.00 | 40.00 |
| 148.23 Lacs (31 March 2018: 40.57 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Daewha Automotive Systems Private Limited*** | 1,482.31 | 405.69 |
| 0.107 Lacs (31 March 2018: NIL) equity shares of ₹10/- each fully paid-up in Sandhar Dashin Auto Systems Private Limited | 1.07 | - |
| 4.96 Lacs (31 March 2018: NIL) equity shares of ₹10/- each fully paid-up in Sandhar Whetron Electronics Private Limited | 49.58 | - |
| 0.099 Lacs (31 March 2018: NIL) equity shares of ₹10/- each fully paid-up in Kwangsung Sandhar Technologies Private Limited | 1.00 | - |
| **Investments at fair value through profit and loss** | | |
| **Investments in joint ventures** | | |
| **(iii) Investments in Preference shares (Unquoted)** | | |
| 3.32 Lacs (31 March 2018: 3.32 Lacs) preference shares of ₹100/- each fully paid-up in Indo Toolings Private Limited | 288.88 | 288.92 |
| 23.43 Lacs (31 March 2018: 23.43) preference shares of ₹10/- each fully paid-up in Sandhar Han Sung Technologies Private Limited | 234.38 | 234.38 |
| 31.92 Lacs (31 March 2018: 31.92 Lacs) preference shares of ₹10/- each fully paid-up in Jinyoung Sandhar Mechatronics Private Limited | 319.28 | 319.28 |
| **(iv) Non Trade investment (Unquoted)** | | |
| 0.2 Lacs (31 March 2018: 0.2 Lacs) shares of ₹10/- each fully paid-up in VNM Polymers Private Limited | 44.80 | 44.60 |
| | **6,892.24** | **5,331.61** |
| **Less: Aggregate amount of impairment in the value of investments** | | |
| **Investment in Joint Venture**** | | |
| (i) In fully paid equity shares | (148.05) | - |
| **Cessation of PT Sandhar Indonesia (on account of closure)*** | - | (403.90) |
| **Total aggregate amount of impairment / sale of investments** | **(148.05)** | **(403.90)** |
| **Total investments** | **6,744.19** | **4,927.71** |
| **Aggregate value of unquoted investments** | 6,892.24 | 5,331.61 |
| **Aggregate amount of impairment in value of investments** | (148.05) | (403.90) |
| **Current** | - | - |
| **Non-Current** | 6,744.19 | 4,927.71 |

*In the earlier years, on account of incurring continuing losses in its Wholly Owned Subsidiary PT Sandhar Indonesia (PTSI), the Company had decided to wind up PTSI and the process of its liquidation was completed in the financial year ended 31 March 2017. The Company made a provision against the investment amounting to ₹403.90 Lacs and loans and advances amounting to ₹419.73 Lacs given to PTSI, in the financial statements for the year ended 31 March 2016. The aforesaid investment and loans and advances will be written off after approval of RBI, which is to be received as at 31 March 2018. During the year ended 31 March 2019 the Company received the approval from RBI pursuant to which this investment has been written off.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 5. Financial assets (Contd..)

**During the year ended 31 March 2019, the Company noted an impairment trigger on account of proposed discontinuation of business in its joint venture company ('Sandhar Ecco Green Energy Private Limited'). Company performed an impairment assessment of its investment in equity shares of Sandhar Ecco Green Energy Private Limited to compute the fair value of its investment. Based on management's assessment, as the fair value of the investment is lower than the carrying amount of the investment, an impairment charge of ₹148.05 Lacs is recognized in the financial statements.

***On 28 March 2018, the Company remitted ₹81.17 Lacs to Sandhar Daewha Automotive Systems Private Limited for the purchase of 8.12 Lacs equity shares of ₹10/- each, fully paid up. The allotment of these equity shares was pending as at 31 March 2018. Subsequently these shares were alloted to the Company on 23 April 2018.

### B Loans

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Security deposits - Non current | 918.81 | 767.32 |
| Security deposits - Current | 154.93 | 135.02 |
| Loans recoverable from related parties- Current | 30.00 | 424.98 |
| Loans to employees - Current | 25.77 | 30.30 |
| Other advances - Current | 194.36 | 143.10 |
| **Total loans** | **1,323.87** | **1,500.72** |
| Less: loss allowance | - | (419.73) |
| **Total loans** | **1,323.87** | **1,080.99** |
| Break up of total loans | | |
| (a) Secured, considered good; | - | - |
| (b) Unsecured, considered good; and | 1,323.87 | 1,080.99 |
| (c) Doubtful. | - | 419.73 |
| | **1,323.87** | **1,500.72** |
| Less: loss allowance | - | (419.73) |
| | **1,323.87** | **1,080.99** |
| **Current** | 405.06 | 313.67 |
| **Non-current** | 918.81 | 767.32 |

### C. Trade receivables (unsecured and considered good, unless otherwise stated)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade receivables* | 30,068.43 | 23,480.12 |
| **Total trade receivables** | **30,068.43** | **23,480.12** |

*For explanations on the Company's credit risk management process, refer to Note-38

### D. Cash and cash equivalents

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Balances with banks: | | |
| – In current accounts | 1.27 | 25,339.54 |
| – Cheques on hand | 41.99 | - |
| Cash on hand | 14.66 | 7.63 |
| **Total Cash and cash equivalents** | **57.92** | **25,347.17** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 5. Financial assets (Contd..)

**E. Other Bank balances**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| In current account for equity dividend | 0.19 | - |
| Deposits with original maturity for more than 3 months but less than 12 months | 105.74 | 101.69 |
| **Total other bank balances** | **105.93** | **101.69** |

**F. Other financial assets**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Interest accrued but not due on fixed deposits | 5.72 | 3.47 |
| Unbilled revenue | 1,335.78 | 1,025.88 |
| **Total other financial assets** | **1,341.50** | **1,029.35** |
| Current | 31,978.84 | 50,272.00 |
| Non-current | 7,663.00 | 5,695.03 |
| **Total financial assets (A+B+C+D+E+F)** | **39,641.84** | **55,967.03** |
| Break up of financial assets carried at amortised cost | | |
| Security Deposits | 1,073.74 | 902.34 |
| **Total financial assets carried at amortised cost** | **1,073.74** | **902.34** |

## 6. Inventories (Valued at lower of cost and net realizable value)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Raw materials {includes goods in transit of ₹467.62 Lacs (31 March 2018: ₹22.25 Lacs)} | 9,534.15 | 8,809.03 |
| Work in progress | 1,236.04 | 1,001.82 |
| Finished goods {includes goods in transit of ₹609.22 Lacs (31 March 2018: ₹617.82 Lacs)} | 1,662.72 | 1,565.36 |
| Stores and spares | 1,047.05 | 844.77 |
| | **13,479.96** | **12,220.98** |
| Provision for inventory obsolescence | (25.00) | (25.00) |
| **Total inventories at the lower of cost and net realisable value** | **13,454.96** | **12,195.98** |

## 7. Other assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Other non - current assets** | | |
| **A. Capital advances** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Unsecured, considered good. | 731.46 | 1,307.95 |
| **Total capital advances** | **731.46** | **1,307.95** |
| **B. Income-tax asset** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Advance income-tax (net of provision for taxation) | 99.31 | 99.31 |
| | **99.31** | **99.31** |
| **Total other non - current assets (A+B)** | **830.77** | **1,407.26** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 7. Other assets (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Other current assets** | | |
| **C. Other advances** | | |
| Unsecured, considered good. | 792.76 | 319.87 |
| Doubtful | - | 23.99 |
| **Total other advances** | **792.76** | **343.86** |
| Less: Loss allowance | - | (23.99) |
| **Total net other advances** | **792.76** | **319.87** |
| **D. Prepaid expenses** | | |
| Prepaid expenses | 357.09 | 306.12 |
| | **357.09** | **306.12** |
| **E. Balance with statutory / government authorities** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Unsecured, considered good | 1,048.43 | 2,210.83 |
| **Total balance with statutory / government authorities** | **1,048.43** | **2,210.83** |
| **Total other current assets (C+D+E)** | **2,198.28** | **2,836.82** |

## 8. Share Capital

### A. Authorised share capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| 680 lacs equity shares of ₹10 each (31 March 2018: 680 lacs equity shares of ₹10 each) | 6,800.00 | 6,800.00 |
| 2 lacs preference shares of ₹100 each (31 March 2018: 2 lacs preference shares of ₹100 each) | 200.00 | 200.00 |
| | **7,000.00** | **7,000.00** |

### B. Issued, subscribed and fully paid equity share capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| 601.91 lacs equity shares of ₹10 each fully paid up (31 March 2018: 601.91 lacs equity shares of ₹10 each) | 6,019.07 | 6,019.07 |
| | **6,019.07** | **6,019.07** |

### C. Reconciliation of the equity share outstanding at beginning and at end of the year

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number | ₹ in Lacs | Number | ₹ in Lacs |
| Equity shares outstanding at the beginning of the year | 601.91 | 6,019.07 | 511.55 | 5,115.46 |
| Issued during the year (refer note 8 F) | - | - | 90.36 | 903.61 |
| Outstanding at the end of the year | **601.91** | **6,019.07** | **601.91** | **6,019.07** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 8. Share Capital (Contd..)

**Rights, preferences and restrictions attached to equity shares**

The Company has one class of equity shares having par value of ₹10 per share (31 March 2018: ₹10 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees.

On 27 May, 2019, the Board of Directors of the Company recommended a final dividend of ₹1.25 per equity share of face value ₹10 each in respect of the year ended 31 March 2019. The dividend payout is subject to approval of shareholders at the Annual General Meeting. The company has paid an interim dividend of ₹1.25 per equity share of face value ₹10 each, which was declared on 5 November 2018.

In the event of liquidation of the Company, the share 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 share holders.

### D. Details of shareholders holding more than 5% shares in the company

| Particulars | No. of shares in Lakhs | % of shareholding |
|---|---|---|
| Jayant Davar* | 313.41 | 52.07% |

* 90,909 Equity Shares are held by Mr. Jayant Davar in his Capacity as proprietor of Sandhar Enterprises

### E. Aggregate number of bonus shares issued, share issued for consideration other than cash and share bought back during the period of five years immediately preceding the reporting date

| Particulars | Number of shares | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| Equity shares allotted as fully paid bonus shares by capitalization of reserves | 2,046.18 | 2,046.18 |

### F. Other notes

During the previous year ended 31 March 2018, 2,534,505 equity shares were sold by GTI Capital Beta Private Limited in a Pre - Initial Public Offer (IPO) sale on 13 March 2018.

Further, during the previous year ended 31 March 2018, the Company has completed the initial public offer (IPO), pursuant to which 15,436,144 equity shares of ₹10 each were allotted, at an issue price of ₹332, consisting of fresh issue of 9,036,144 equity shares and an offer for sale of 6,400,000 equity shares by GTI Capital Beta Private Limited.

The equity shares of the Company were listed on National Stock Exchange of India Limited (NSE) via ID SANDHAR and BSE Limited (BSE) via ID 541163 on 2 April 2018.

The IPO expenses amounting to ₹3,380.30 Lacs have been allocated between the company and selling shareholder in accordance with the applicable laws. The company's share of IPO expenses has been adjusted with securities premium account.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 9. Other equity

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Capital reserve** | | |
| At the beginning and end of the year | **2,653.66** | **2,653.66** |
| **Securities Premium** | | |
| Balance at the beginning of the year | 27,922.42 | 311.36 |
| Add: Fresh issue of equity shares (refer note 8 F) | - | 29,096.38 |
| Less: Share issue expenses | (62.75) | (1,485.32) |
| Balance at the end of the year | **27,859.67** | **27,922.42** |
| **Retained earnings** | | |
| Balance at the beginning of the year | 25,762.58 | 20,892.13 |
| Add: Profit for the year | 9,532.70 | 6,772.65 |
| Other comprehensive income - Re-measurement of defined benefit liability | (65.11) | (57.58) |
| Less: Dividend on equity shares (Final) | - | (511.55) |
| Less: Dividend on equity shares (Interim) | (752.38) | (1,023.09) |
| Less: Tax on Dividend | (144.80) | (309.98) |
| Balance at the end of the year | **34,332.98** | **25,762.58** |
| **Total of other equity** | **64,846.32** | **56,338.66** |

**Nature and purpose of other equity**

1. **Capital Reserve:**

   This represents Capital reserve created during the year ended 31 March 2013, consequent to the approval by the Hon'ble High Court of Delhi of the scheme of amalgamation of MAG Engineering Private Limited with the Company.

2. **Securities premium:**

   Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

3. **Remeasurements of defined benefit obligation:**

   Remeasurements of defined benefit obligation comprises actuarial gains and losses.

## 10. Borrowings

| | Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|---|
| **A.** | **Non-current borrowings** | | |
| | **Term Loans** | | |
| | Indian rupee loan from others (secured) (refer note F,H,I,J) | 59.43 | 100.25 |
| | **Total non-current borrowings** | **59.43** | **100.25** |
| | Secured | 59.43 | 100.25 |
| | Unsecured | - | - |
| **B.** | **Current borrowings** | | |
| | **a) Current maturity of long term loans** | | |
| | Indian rupee loan from banks (secured) (refer note A,B,C,D,E,I,J) | 41.19 | 13,684.47 |
| | Indian rupee loan from others (secured) (refer note F,H) | - | 6,837.25 |
| | Indian rupee loan from others (unsecured) (refer note G) | - | 4,925.00 |
| | **Total Current maturity of long term loans** | **41.19** | **25,446.72** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 10. Borrowings (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **b) Cash credit from banks (secured)** | 11,317.25 | 7,399.40 |
| **Total current borrowings** | **11,358.44** | **32,846.12** |
| Less: Amount presented under "other financial liabilities" | (41.19) | (25,446.72) |
| **Total current borrowings** | **11,317.25** | **7,399.40** |
| Aggregate secured loans | 11,358.44 | 27,921.12 |
| Aggregate unsecured loans | - | 4,925.00 |

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Terms of borrowings:** | | |
| **(A) IndusInd Bank Limited-** | - | 2,125.50 |
| a) Indian rupee loan of ₹250,000,000 carries interest @ 10.00% to 10.20%. The loan is repayable in 16 quarterly instalments of ₹15,625,000 from December 2015. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹49,034,107 carries interest @ 10.00% to 11.20%. The loan is repayable in 11 quarterly instalments of ₹4,457,646 from June 2016. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹162,800,000 carries interest @ 9.70%. The loan is repayable in 16 quarterly instalments of ₹10,175,000 from June 2018. The loan has been fully repaid in April 2018. | | |
| **(B) Yes Bank Limited-** | - | 3,855.55 |
| a) Indian rupee loan of ₹150,000,000 carries interest @ 10.50% to 12.00% p.a. The loan is repayable in 16 quarterly instalments of ₹9,380,000 from November 2014. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹85,000,000 carries interest @ 10.50% to 12.00% p.a. The loan is repayable in 16 quarterly instalments of ₹5,312,500 from November 2015. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹150,000,000 carries interest @ 9.60% to 10.25% p.a. The loan is repayable in 20 quarterly instalments of ₹7,500,000 from December 2017. The loan has been fully repaid in April 2018. | | |
| d) Indian rupee loan of ₹200,000,000 carries interest @ 8.60% to 10.25% p.a. The loan is repayable in 20 quarterly instalments of ₹7,500,000 to 11,500,000 from March 2019. The loan has been fully repaid in April 2018. | | |
| **(C) ICICI Bank Limited-** | - | 562.50 |
| a) Indian rupee loan of ₹150,000,000 carries interest @ 10.50% to 12.25% p.a. The loan is repayable in 16 quarterly instalments of ₹9,375,000 from December 2015. The loan has been fully repaid in April 2018. | | |
| **(D) HDFC Bank Limited-** | - | 5,001.76 |
| a) Indian rupee loan of ₹250,000,000 out of which ₹150,000,000 has been drawn in August 2015 carries interest @ 10.95% to 11.65% p.a. The loan is repayable in 16 quarterly instalments of ₹9,375,000 from October 2016. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹6,693,750 has been drawn from balance ₹100,000,000 in March 2016 which carries interest @ 10.95% to 11.25% p.a. The loan is repayable in 16 quarterly instalments of ₹418,359 from October 2016. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹26,654,935 has been drawn from balance ₹100,000,000 which carries interest @ 10.95% to 11.25% p.a. The loan is repayable in 16 quarterly instalments of ₹1,665,933 from October 2016. The loan has been fully repaid in April 2018. | | |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 10. Borrowings (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| d) Indian rupee loan of ₹50,078,761 has been drawn from balance ₹100,000,000 which carries interest @ 10.95% p.a. The loan is repayable in 15 quarterly instalments of ₹3,338,584 from January 2017. The loan has been fully repaid in April 2018. | | |
| e) Indian rupee loan of ₹250,000,000 out of which ₹150,000,000 has been drawn in December 2016 carries interest @ 9.90% p.a. The loan is repayable in quarterly instalments of ₹6,000,000 from March 2018. The loan has been fully repaid in April 2018. | | |
| f) Indian rupee loan of ₹250,000,000 out of which ₹100,000,000 has been drawn in January 2017 carries interest @ 9.50% p.a. The loan is repayable in quarterly instalments of ₹4,000,000 from March 2018. The loan has been fully repaid in April 2018. | | |
| **(E) RBL Bank Limited-** | | |
| a) Indian rupee loan of ₹200,000,000 carries interest @ 9.25 to 9.85% p.a. The loan is repayable in 54 monthly instalments of ₹3,703,704 from August, 2018. The loan has been fully repaid in April 2018. | - | 2,000.00 |
| **(F) Tata Capital Financial Services Limited** | - | 1,937.50 |
| a) Indian rupee loan of ₹100,000,000 and ₹217,777,777 carries interest @ 10.50% to 12.25% p.a. The loan is repayable in 16 & 14 quarterly instalments of ₹6,250,000 and ₹15,555,556 from April, 2015 and January, 2014 respectively. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹200,000,000 carries interest @ 10.50% p.a. The loan is repayable in 16 quarterly instalments of ₹12,500,000 from November 2015. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹150,000,000 carries interest @ 10.50% p.a. The loan is repayable in 16 quarterly instalments of ₹9,375,000 from December 2016. The loan has been fully repaid in April 2018. | | |
| d) Indian rupee loan of ₹138,800,000 carries interest @ 10.50% p.a. The loan is repayable in 12 monthly instalments of ₹11,566,667 from June 2016. The loan has been fully repaid in April 2018. | | |
| Security Clause First & Exclusive Charge over the Immovable property being land and building belonging to the Borrower having clear and marketable title deeds as acceptable to TCFSL-Plot No16, Village Begumpur, Roorkee Tehsil, Haridwar, Plot No13, Sector 5, Phase II,Industrial Estate IMT Bawal, Haryana and Plot No14, Sector 5, Phase II, Industrial Estate IMT Bawal, Haryana.Subservient Charge on entire current assets of the borrower both present and future. | | |
| **(G) Hero FinCorp Limited-** | - | 4,925.00 |
| a) Indian Rupee Loan for ₹450,000,000 carries interest @ 10.50% p.a. The loan is repayable in 20 Quarterly instalment of ₹22,500,000 from January, 2016 & February, 2016. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹350,000,000 carries interest @ 10.50% p.a. The loan is repayable in 20 quarterly instalments of ₹17,500,000 from November 2016. The above loans carries a negative lien. The loan has been fully repaid in April 2018. | | |
| **(H) Citicorp Finance India Limited-** | - | 5,000.00 |
| a) Indian Rupee Loan for ₹500,000,000 carries interest @ 8.15% p.a. The loan is repayable in bullet payment after 5 years and it will be roll over on yearly basis. The loan has been fully repaid in April 2018. | | |
| **(I) Vehicle loan are from banks are secured by hypothecation of the financed vehicle.** | 94.36 | 127.08 |
| **(J) Vehicle loan from others secured by hypothecation of the financed vehicle.** | 6.26 | 12.08 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 11. Trade payables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Total outstanding dues of micro enterprises and small enterprises (refer note 41) | 1,387.97 | 2,069.36 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 27,981.86 | 26,877.45 |
| **Total trade payables** | **29,369.83** | **28,946.81** |

**Terms and conditions of the above financial liabilities:**

For explanations on the Company's credit risk management processes, refer to Note 38.

## 12. Other financial liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Payables for capital goods | 1,810.84 | 3,362.58 |
| Interest accrued but not due | 0.60 | 38.08 |
| Interest accrued and due on borrowings | 15.50 | 84.34 |
| Current maturity of long term borrowings (refer note 10) | 41.19 | 25,446.72 |
| Unpaid equity dividend | 0.19 | - |
| Security deposit payable | 48.65 | 16.91 |
| Provision for Interest - MSMED (refer note 41) | 70.41 | 199.33 |
| Finance lease obligation - non current | 3.95 | 3.76 |
| Finance lease obligation - current | 0.29 | 0.28 |
| **Total financial liabilities at amortised cost** | **1,991.62** | **29,152.00** |
| Current | 1,987.67 | 29,148.24 |
| Non-current | 3.95 | 3.76 |

## 13. Other current liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Other payables:** | | |
| Statutory dues | 1,599.71 | 1,157.71 |
| **Total** | **1,599.71** | **1,157.71** |
| **Current** | 1,599.71 | 1,157.71 |
| **Non-current** | - | - |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 14. Provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 29) | 348.71 | 332.16 |
| Provision for leave benefits | 846.26 | 741.17 |
| **Other provisions** | | |
| Provision for income tax (net of tax paid) | 323.63 | 1,376.69 |
| Provision for warranties* | 85.59 | 78.34 |
| **Total** | **1,604.19** | **2,528.36** |
| **Total Income tax liabilities** | **323.63** | **1,376.69** |
| **Total Current provision** | **1,280.56** | **1,151.67** |
| ***Provision for warranties** | | |
| At the beginning of the year | 78.34 | 100.12 |
| Accrued during the year | 63.87 | 58.59 |
| Utilized during the year | (56.62) | (80.37) |
| At the end of the year | 85.59 | 78.34 |

Provision is recognized for expected warranty claims on products sold during the last two to five years, based on past experience of level of repairs and returns. It is expected that the most of this cost will be incurred in the next financial year. Assumption used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two to five year warranty period for all products sold.

## 15. Deferred tax liabilities (net)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Items leading to creation of deferred tax assets** | | |
| - Post-employment benefits | 418.00 | 372.00 |
| - Provision for doubtful debt & advances | 65.00 | 203.00 |
| - Employee benefits | 331.00 | 271.00 |
| - Fair value measurement | - | 8.00 |
| **Total deferred tax assets** | **814.00** | **854.00** |
| **Items leading to creation of deferred tax liabilities** | | |
| - Property, plant and equipment: Impact of difference between tax and depreciation/ amortization charged for the financial reporting | 1,974.00 | 1,469.00 |
| - Fair value measurement | 5.00 | - |
| **Total deferred tax liabilities** | **1,979.00** | **1,469.00** |
| **Deferred tax assets/(liabilities)** | **(1,165.00)** | **(615.00)** |
| MAT Credit entitlement | - | 49.68 |
| **Net deferred tax assets/(liabilities)** | **(1,165.00)** | **(565.32)** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 16. Revenue from operations

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of products (including excise duty)** | 198,209.57 | 168,318.87 |
| Sale of services | 2,717.02 | 2,149.61 |
| Other operating revenue | | |
| Scrap sale | 2,772.79 | 1,671.49 |
| **Revenue from operations** | **203,699.38** | **172,139.97** |
| Less: Excise duty# | - | 3,722.83 |
| **Revenue from operations (net)** | **203,699.38** | **168,417.14** |

Revenue from operations, computed in accordance with Ind AS 115 'Revenue from contracts with customers', for the current year is not comparable with previous year since the same is net of Goods and Service Tax (GST) whereas excise duty form part of expenses in previous year and current year (uptill 30 June 2017). The comparative revenue from operations of the Company is given below:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Revenue from operations (as reported) | 203,699.38 | 172,139.97 |
| Less: Excise duty on sales | - | (3,722.83) |
| Revenue from operations (net of excise duty) | 203,699.38 | 168,417.14 |

## 17. Other income

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Other non-operating income** | | |
| Dividend income on long-term investments | 47.95 | 11.99 |
| Profit on sale of property, plant and equipment | 37.17 | - |
| Government grant | - | 3.00 |
| Foreign exchange fluctuation gain (net) | - | 42.60 |
| Interest from bank | 9.36 | 5.94 |
| Interest from others | 109.20 | 57.46 |
| Interest income on security deposits measured at amortised cost | 11.06 | 10.64 |
| Gain on investments carried at fair value through profit or loss | 0.15 | 43.29 |
| Other miscellaneous income | 412.53 | 269.15 |
| | **627.42** | **444.07** |

## 18. Cost of raw material and components consumed

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | 8,809.03 | 6,699.59 |
| Add: Purchases during the year | 131,149.68 | 109,257.22 |
| | **139,958.71** | **115,956.81** |
| Less: Inventory at the end of the year | 9,534.15 | 8,809.03 |
| Cost of raw material and components consumed | **130,424.56** | **107,147.78** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 19. Changes in inventories of finished goods and work-in-progress

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Closing inventories | | |
| Finished goods | 1,662.72 | 1,565.36 |
| Work in progress | 1,236.04 | 1,001.82 |
| Opening inventories | | |
| Finished goods | 1,565.36 | 1,592.98 |
| Work in progress | 1,001.82 | 642.78 |
| **Net changes** | **(331.58)** | **(331.42)** |

## 20. Employee benefit expenses

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, wages and bonus | 21,620.61 | 17,810.65 |
| Contribution to provident and other funds | 1,080.08 | 951.85 |
| Staff welfare expenses | 1,288.44 | 1,153.56 |
| Gratuity expense (refer note 29) | 262.09 | 285.60 |
| | **24,251.22** | **20,201.66** |

## 21. Depreciation and amortization expense

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation on property, plant and equipment | 6,317.55 | 5,212.80 |
| Amortisation on intangible assets | 360.47 | 308.28 |
| | **6,678.02** | **5,521.08** |
| Less: Depreciation on plant and machinery capitalized during the year | 8.22 | 8.29 |
| | **6,669.80** | **5,512.79** |

## 22. Other expenses

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Consumption of stores and spares | 4,097.68 | 3,353.32 |
| Packing material | 2,426.65 | 2,145.06 |
| Job work charges | 4,395.68 | 3,924.85 |
| Rent | 736.77 | 575.45 |
| Rates and taxes | 111.02 | 32.95 |
| Insurance | 150.71 | 138.22 |
| Freight and forwarding charges | 1,962.05 | 1,661.60 |
| Power and fuel | 6,238.99 | 4,685.35 |
| Repairs and maintenance | | |
| - Buildings | 116.45 | 119.08 |
| - Plant and machinery | 1,562.91 | 1,417.44 |
| - Others | 815.76 | 835.19 |
| Legal and professional charges | 896.66 | 767.37 |
| Travelling and conveyance | 449.86 | 351.91 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 22. Other expenses (Contd..)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Payment to auditor* | 55.90 | 44.37 |
| CSR expenditure** | 196.83 | 86.93 |
| Provision for doubtful debts and advances | 20.66 | - |
| Loss on sale of property, plant and equipment | - | 22.94 |
| Provision for warranties (net of reversal) | 63.87 | 58.59 |
| Royalty | 355.11 | 438.82 |
| Commission to directors | 679.60 | 456.83 |
| Security service charges | 539.29 | 490.38 |
| Testing and development expenses | 114.06 | 127.64 |
| Festival and celebration expenses | 62.81 | 101.65 |
| Directors sitting fee | 24.85 | 30.59 |
| MTM loss on derivative liability | - | 26.55 |
| Foreign exchange fluctuation loss (net) | 234.74 | - |
| Miscellaneous expenses | 912.87 | 857.72 |
| **Total other expenses** | **27,221.78** | **22,750.80** |

***Payment to auditors :**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **As auditor:** | | |
| - Audit fee | 39.00 | 39.00 |
| - Limited Review | 11.67 | - |
| **In other capacity** | | |
| - Other services (certification fees) | 1.33 | 1.47 |
| - Reimbursement of expenses | 3.90 | 3.90 |
| **Total** | **55.90** | **44.37** |

During the previous year ended 31 March 2018, fees for other services amounting to ₹32 lacs (pertains to IPO related services forming part of share issue expenses which have been adjusted against premium received on issue of equity shares by the Company).

****Disclosure relating to CSR expenditure:**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Gross Amount required to be spent by the Company as per Section 135 of the Act | 129.11 | 83.58 |
| (b) Amount spent during the year on: | - | - |
| (i) Construction/acquisition of any asset | | |
| (ii) On purposes other than (i) above | 196.83 | 86.93 |
| - In cash | - | - |
| - Yet to be paid in cash | **196.83** | **86.93** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 23. Finance costs

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Interest to banks on** | | |
| - Term loan | 12.40 | 1,226.08 |
| - Cash credit | 718.11 | 518.99 |
| - Others | 495.09 | 389.33 |
| Interest to others | 239.06 | 1,330.47 |
| Finance charges | 275.93 | 322.88 |
| Bank charges | 4.84 | 10.32 |
| Finance charge under finance lease obligation | 0.48 | 0.46 |
| Amortisation of processing fees on term loan | - | 13.34 |
| **Total finance costs** | **1,745.91** | **3,811.87** |

## 24. Exceptional Items

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Impairment loss on investment in join venture (refer note 5) | 148.05 | - |
| **Total exceptional items** | **148.05** | **-** |

## 25. Components of other comprehensive income

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

**During the year ended 31 March 2019:**

| Particulars | Retained earnings | Total |
|---|---|---|
| Re-measurement losses on defined benefit plans | (100.08) | (100.08) |
| Tax impact on re-measurement loss on defined benefit plans | 34.97 | 34.97 |
| | **(65.11)** | **(65.11)** |

**During the year ended 31 March 2018:**

| Particulars | Retained earnings | Total |
|---|---|---|
| Re-measurement losses on defined benefit plans | (88.05) | (88.05) |
| Tax impact on re-measurement loss on defined benefit plans | 30.47 | 30.47 |
| | **(57.58)** | **(57.58)** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 26. Earnings Per Share (EPS)

Basic and Diluted EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Profit attributable to equity holders of the Company | 9,532.70 | 6,772.65 |
| Weighted average number of equity shares used for computing Earning per Share (Basic and Diluted) (Number of shares in Lacs) | 601.91 | 512.79 |
| Earning Per Share (Basic and Diluted) (₹) | 15.84 | 13.21 |
| Face value per share (₹) | 10 | 10 |

**Reconciliation of weighted average number of equity shares for calculation of Basic and Diluted earnings per share:**

| Particulars | Number of equity shares | Weighted average number of shares |
|---|---|---|
| **Equity shares of face value of ₹10 per share:** | | |
| **Balance as at 1 April 2017** | **511.55** | **511.55** |
| Issued during the year 2017-18 | 90.36 | 1.24 |
| **Balance as at 31 March 2018** | **601.91** | **512.79** |
| Issued during the year 2018-19 (Number of shares in lacs) | - | - |
| **Balance as at 31 March 2019** | **601.91** | **601.91** |

At present, the Company does not have any dilutive potential equity shares

## 27. Income Tax

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **(a) The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are:** | | |
| **Income tax recognized in statement of profit or loss** | | |
| **Current income tax:** | | |
| Current tax | 4,079.07 | 2,966.97 |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | 585.29 | 28.11 |
| **Income tax expense reported in the statement of profit or loss** | **4,664.36** | **2,995.09** |
| **Income tax recognized in other comprehensive income** | | |
| Deferred tax related to items recognised in OCI during the year: | | |
| Net loss on remeasurements of defined benefit plans | 34.97 | 30.47 |
| **Income tax charged to other comprehensive income** | **34.97** | **30.47** |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 27. Income Tax (Contd..)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **(b) Reconciliation of effective tax rate** | | |
| Reconciliation between average effective tax rate and applicable tax rate for the year ended 31 March 2019 and 31 March 2018: | | |
| Profit for the year | 14,197.06 | 9,767.73 |
| Statutory tax rate | 34.944% | 34.608% |
| Income tax expense at the statutory rate | 4,961.02 | 3,380.42 |
| **Tax impact of deductible/ non-deductible expenses** | | |
| - Effect of Income tax exemption at Haridwar Unit U/S 80 IC | (365.82) | (309.31) |
| - Effect of Income tax exemption U/S 35 (2AB) | (140.06) | (161.23) |
| - Effect of Dividend Income | (16.76) | (4.15) |
| - Effect of CSR expenses | 68.78 | 30.09 |
| - Effect of Interest paid to MSMED | 11.95 | 6.73 |
| - Effect of impairment loss on investment in joint venture | 51.74 | - |
| - Effect of expenses disallowed U/S 14 A | 14.33 | 7.27 |
| - Effect of interest U/S 234 | 36.85 | 110.34 |
| - Others | 42.33 | (65.08) |
| **Income tax expense after adjustment of tax impact of non deductible items** | **4,664.36** | **2,995.08** |

## 28. Group information

The Company has investment in following subsidiaries and joint ventures:

| Particulars Name of the entity | Principal place of business | Relationships | Percentage of ownership interest As at 31 March 2019 | Percentage of ownership interest As at 31 March 2018 |
|---|---|---|---|---|
| Sandhar Tooling Private Limited | India | Subsidiary | 79.92 | 79.92 |
| Sandhar Technologies Barcelona SL | Spain | Subsidiary | 100.00 | 100.00 |
| Sandhar Strategic System Private Limited | India | Subsidiary | 100.00 | 100.00 |
| Indo Toolings Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Sandhar Han Sung Technologies Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Sandhar Ecco Green Energy Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Jinyoung Sandhar Mechatronics Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Sandhar Daewha Automotive Systems Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Sandhar Amkin Industries Private Limited | India | Joint Venture | 50.00 | 50.00 |
| Sandhar Daeshin Auto Systems Private Limited (w.e.f. 3rd May 2018) | India | Joint Venture | 50.00 | - |
| Sandhar Whetron Electronics Private Limited (w.e.f. 19th July 2018) | India | Joint Venture | 50.00 | - |
| Kwangsung Sandhar Technologies Private Limited (w.e.f. 6th February 2019) | India | Joint Venture | 50.00 | - |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 29. Gratuity and other post-employment benefit plans

### A. Defined contribution plan

The Company makes contributions, determined as a specified percentage of employee salaries, towards Provident Fund, National pension scheme and Employee state insurance scheme ('ESI') which are collectively defined as defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrued.

The amount recognized as an expense/ (adjusted):

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Contribution to provident fund | 694.05 | 597.93 |
| Contribution to national pension scheme | 51.97 | 40.54 |
| Contribution to employee state insurance scheme | 107.48 | 114.28 |

### B. Defined benefit plan

The Company has a defined benefit gratuity plan for its employees, governed by the Payment of Gratuity Act, 1972. Every employee who has rendered at least five years of continuous service gets a gratuity on departure at the rate of fifteen days of last drawn salary for each completed year of service or part thereof in excess of 6 months. The scheme is funded with insurance companies in the form of qualifying insurance policies. Gratuity benefits are valued in accordance with the Payment of Gratuity Act, 1972.

The most recent actuarial valuation of present value of the defined benefit obligation for gratuity were carried out as at 31 March 2019. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### I. Reconciliation of the present value of defined benefit obligation and the fair value of the plan assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Liability for gratuity | 2,187.91 | 1,912.07 |
| Plan asset for gratuity | 1,839.20 | 1,579.91 |
| **Net defined benefit liability (Current):** | **(348.71)** | **(332.16)** |

#### II. Reconciliation of present value of defined benefit obligation:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 1,912.07 | 1612.02 |
| Current service cost | 235.88 | 211.64 |
| Interest cost | 150.86 | 120.74 |
| Benefits paid | (107.10) | (100.47) |
| Past Service Cost including curtailment Gains/Losses | - | 58.01 |
| Actuarial (gain) / loss on obligation recognised in other comprehensive income | (3.79) | 10.13 |
| Balance at the end of the year | 2,187.92 | 1,912.07 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 29. Gratuity and other post-employment benefit plans (Contd..)

### III. Reconciliation of fair value of plan assets:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 1,579.91 | 1399.05 |
| Actual return on plan asset | 124.65 | 104.79 |
| Contribution paid into the plan | 225.00 | 176.00 |
| Benefits paid | (101.42) | (87.33) |
| Actuarial (gain)/loss on plan assets recognized in other comprehensive income | 11.05 | (12.60) |
| Closing fair value of plan asset | 1,839.19 | 1,579.91 |

### IV. Expense recognised in the Statement of Profit and Loss under employee benefits expense:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Current service cost | 235.88 | 269.64 |
| Past service cost | - | - |
| Interest cost | 26.21 | 15.95 |
| **Expense recognised in the Statement of Profit and Loss** | **262.09** | **285.59** |

### V. Remeasurement recognised in other comprehensive income (OCI)

| Particulars | Year ended March 2019 | Year ended March 2018 |
|---|---|---|
| Actuarial gain / (loss) on Defined Benefit Obligation | 3.79 | (10.13) |
| Return on Plan Assets excluding interest income | 11.05 | (12.60) |
| **Amount recognised in the Other Comprehensive Income** | **14.84** | **(22.73)** |

### VI. Bifurcation of Acturial Gain/Loss on Defined benefit obligation:

| Particulars | Year ended March 2019 | Year ended March 2018 |
|---|---|---|
| Actuarial gain/(loss) due to demographic assumption change | - | - |
| Actuarial gain/(loss) due to financial assumption change | (30.94) | 81.77 |
| Actuarial gain/(loss) due to experience adjustment | 34.73 | (91.90) |
| **Amount recognised in the Other Comprehensive Income** | **3.79** | **(10.13)** |

**The principal assumptions used in determining gratuity and compensated absences are as follows:**

(a) Economic assumptions

The principal assumptions are the discount rate and salary growth rate. The discount rate is based upon the market yields available on government bonds at the accounting date with a term that matches that of liabilities. Salary increase rate takes into account of inflation, seniority, promotion and other relevant factors on long term basis. Valuation assumptions are as follows which have been selected by the company.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 29. Gratuity and other post-employment benefit plans (Contd..)

| Particulars | As at March 2019 | As at March 2018 |
|---|---|---|
| Discount rate | 7.75% | 7.89% p.a. |
| Inflation rate | 8.00% | 8.00% p.a. |
| Expected rate of return on assets | 8.00% | 8.00% p.a. |

(b) Demographic assumptions

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

| Particulars | As at March 2019 | As at March 2018 |
|---|---|---|
| Mortality table | IALM (2006-08) | IALM (2006-08) |
| Retirement Age | 58 years | 58 years |
| Attrition Rate | | |
| Up to 30 years | 10% p.a. | 10% p.a. |
| From 31 to 44 years | 3% p.a. | 3% p.a. |
| Above 44 years | 1% p.a. | 1% p.a. |

The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant.

| Particulars | As at March 2019 | | As at March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | (108.63) | 117.70 | (96.31) | 104.38 |
| Expected rate of future salary increase (0.5% movement) | 107.79 | (101.36) | 95.67 | (89.97) |

Sensitivities due to mortality and withdrawals are not material and hence impact of change not calculated.

Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable being a lump sum benefit on retirement.

Gratuity expense expected to be incurred in the next year is ₹306.90 Lacs (previous year ₹279.14 Lacs).

**Expected maturity analysis:**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Less than 1 year | 101.55 | 61.78 |
| 1-2 years | 45.10 | 40.43 |
| 2-5 years | 130.34 | 183.51 |
| More than 5 years | 1,910.92 | 1,626.35 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 29. Gratuity and other post-employment benefit plans (Contd..)

**Other long-term employee benefits:**

During the year ended 31 March 2019, the Company has incurred an expense on compensated absences amounting to ₹224.37 (previous year ₹197.03). The Company determines the expense for compensated absences basis the actuarial valuation of present value of the obligation, using the Projected Unit Credit Method.

## 30. Contingent liabilities and commitments (to the extent not provided for)

### A. Capital commitments

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for | 1,957.95 | 2,357.66 |

The Company has purchased a land at Pune wherein the Company shall commence the construction on the land and commence production within three years from the date of sub lease deed.

### B. Contingent liabilities

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **a. Claims against the Company not acknowledged as debts*** | | |
| - Service tax matters (refer note A below) | 300.00 | 317.54 |
| - Income tax matters (refer note B below) | 126.33 | 117.67 |
| - Demand notice against Land (Chakan & Pathredi) (refer note C below) | 837.52 | 837.52 |
| - Other matters | 38.37 | 36.97 |
| **b. Guarantees given by the Company (refer note D below)** | **9,865.71** | **9,316.54** |

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

**Note A:**

i) Show cause notice received in respect of credit taken on freight outward for the period 2005-2006. The reply has been submitted and personal hearing is awaited with Assistant Commissioner, Central Excise. The amount involved is ₹1.18 (31 March 2018: ₹9.93).

ii) Show cause notice received in respect of credit taken on manpower supply for the period 2005-2006 to 2014-15 (up to Feb-15). The matter is pending for personal hearing with the Additional Commissioner, Commissioner, and Joint Commissioner, Central Excise. The amount involved is ₹261.07 (31 March 2018: ₹261.07).

iii) Show cause notice received in respect of credit taken on the Services on Commercial and Industrial construction work for the period 2009-2010. The matter is pending with Additional Commissioner, Central Excise and CESTAT, Chandigarh. The amount involved is ₹2.11 (31 March 2018: ₹10.35).

iv) Show cause notices received in respect of credit taken on outdoor catering & courier services for the period 2010-2011. The matter is pending with the Superintendent and Deputy Commissioner, Central excise. The amount involved is ₹0.50 (31 March 2018: ₹1.05).

v) Show cause notices received in respect of credit taken on various services such clearing and forwarding agency services, Construction and industrial Construction, repair & maintenance, travel agent, pandal, authorized service station & outward freight, for the period 2004-05 to 2016-17 (up to Mar-2017). The personal hearing attended & final order awaited from Assistant Commissioner, LTU New Delhi. The amount involved is ₹35.14 (31 March 2018: ₹35.14).

**Note B:**

i) In respect of Assessment Year 2010-11, demand was raised on account of TDS benefit not given by the Assessing Authority. The rectification letter for the same been filed and the matter is pending with Assistant Commissioner of Income Tax for rectification. The amount involved is ₹7.60 (31 March 2018: ₹7.60).

ii) In respect of Assessment Year 2010-11, Commissioner of Income Tax (Appeal-22) ordered for the calculation of the liability for disallowances under section 14-A and referred the case to Assessing officer which is pending with the said authority. The amount involved is ₹5.10 (31 March 2018: ₹5.10).

iii) In respect of Assessment Year 2011-12 & 2012-13 demand was raised due to disallowance of certain expenses and also certain penalty proceedings on the above issue. The matter is pending with Commissioner of Income Tax (Appeal), LTU and appeal is partly allowed by authority. Further appeal has been filed with ITAT. The amount involved is ₹24.61 (31 March 2018: ₹24.61).

iv) In respect of Assessment Year 2011-12, demand was raised due to short payment of TDS under section 201 (1A). The matter is pending with Commissioner of Income Tax (Appeal-22). The amount involved is ₹12.69 (31 March 2018: ₹12.69).

v) In respect of assessment year 2013-14, demand was issued against expenses disallowed under section 35(2AB) for which deduction under Chapter-VIA was claimed. The appeal has been filed with ITAT. The amount involved is ₹64.54 (31 March 2018: ₹64.54)

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 30. Contingent liabilities and commitments (to the extent not provided for)

vi) In respect of assessment year 2014-15, demand was issued against expenses disallowed under section 35(2AB) for which deduction under Chapter-VIA was claimed. The appeal has been filed with ITAT. The amount involved is ₹3.12 (31 March 2018: ₹3.12)

vii) In respect of assessment year 2015-16 demand was issued against certain expenses disallowed under section 35(2AB), 14A etc. The appeal has been filed with CIT (Appeal-22). The amount involved is ₹4.06 (31 March 2018: ₹ NIL).

viii) In respect of assessment year 2016-17 demand was issued against certain expenses disallowed under section 35(2AB), 14A etc. The appeal has been filed with CIT (Appeal-22). The amount involved is ₹1.48 (31 March 2018: ₹ NIL).

ix) In respect of assessment year 2014-15 demand was issued for penalty procedding. The appeal has been filed with CIT (Appeal-22). The amount involved is ₹3.13 (31 March 2018: ₹ NIL).

**Note C:**

i) In respect of Pathredi Land, Rajasthan State Industrial Development and Investment Corporation has issued a letter dated October 23, 2015 whereby demand of ₹761.04 has been raised for allowing a time extension for making additional investment in the project on land allotted to the Company (31 March 2018: ₹761.04). The Company has filed a request letter to waive off the same.

ii) In respect of Chakan Land, Maharashtra Industrial Development Corporation has issued a letter dated March 3, 2015, asking Company to pay an additional amount aggregating to ₹76.48 for a further time extension (31 March 2018: ₹76.48). The Company is in process to file the waiver letter to Maharashtra Industrial Development Corporation.

Based on the status of cases and as advised by Company's tax/legal advisors, wherever applicable, the management believes that the Company has strong chance of success and hence no provision against matters disclosed in “Claims against the Company not acknowledged as debts” are considered necessary.

**Note D:**

In relation to 32(2) above guarantee given by the Company:

To facilitate grant of financing facilities to the Company’s Joint Ventures Subsidiaries and others, Company has given Corporate Guarantees to banks. As at the year-end, the outstanding Corporate Guarantee/Stand by-Letter of Credits/ bank gaurantees so given amounts to ₹9,865.71 (31 March 2018: ₹9,316.54).

**Note E:**

Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages for the purpose of provident fund, to include special allowances which are common for all employees. However there is uncertainty with respect to the applicable of the judgement and period from which the same applies. The Company has estimated the impact of the same from 1 March 2019 to 31 March 2019 based on a prospective approach and has recognized the same in the financial statements.

Owing to the aforesaid uncertainty and pending clarification from the authority in this regard, the Company has not recognised any provision for the previous years. Further management also believes that the impact of the same on the Company will not be material.

## 31. Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### A. Name of Related Party and Relationship

| | |
|---|---|
| **Enterprises under common control** | Sanjeevani Impex Private Limited |
| | Sandhar Intelli-Glass Solutions Limited |
| | Sandhar Info systems Limited |
| | Sandhar Estate Private Limited |
| | YSG Estates Private Limited |
| | Sandhar Enterprises |
| | KDB Investment Private Limited |
| | Jubin Finance & Investment Limited |
| | Raasaa Retail Private Limited |
| | Haridwar Estates Private Limited |
| | Supanavi Trading Private Limited |
| **Subsidiary companies** | Sandhar Tooling Private Limited |
| | Sandhar Technologies Barcelona S.L. |
| | Sandhar Breniar Project, S.L. |
| | Sandhar Technologies De Mexico S de RL de CV |
| | Sandhar Technologies Poland sp. z o.o |
| | Sandhar Strategic System Private Limited |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| | |
|---|---|
| **Joint Ventures** | Indo Toolings Private Limited<br>Sandhar Han Sung Technologies Private Limited<br>Sandhar Ecco Green Energy Private Limited<br>Jinyoung Sandhar Mechatronics Private Limited<br>Sandhar Amkin Industries Private Limited<br>Sandhar Daewha Automotive Systems Private Limited<br>Sandhar Daeshin Auto Systems Private Limited<br>(w.e.f. 3rd May 2018)<br>Sandhar Whetron Electronics Private Limited<br>(w.e.f. 19th July 2018)<br>Kwangsung Sandhar Technologies Private Limited<br>(w.e.f. 6th February 2019) |
| **Individual owning an interest in the voting power of reporting enterprise that gives them significant influence over the Company** | Mr. Jayant Davar |
| **Key Managerial Personnel** | Mr. Jayant Davar (Co-Chairman and Managing Director)<br>Mr. Arvind Joshi (Whole time Director, C.F.O. & Company Secretary) |
| **Relatives of Key Managerial Personnel and relatives of Individual owning an interest in the voting power of reporting enterprise that gives them significant influence over the Company** | Mr. D. N. Davar (Chairman)<br>Mrs. Monica Davar<br>Mr. Neel Jay Davar<br>Mrs. Santosh Davar<br>Mrs. Poonam Juneja<br>Mrs. Urmila Joshi |
| **Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence** | Swaran Enterprises (Mrs. Santosh Davar is a Partner)<br>Shorah Realty LLP |

**B. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.**

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Purchase of Goods** | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 2,881.07 | 2,392.93 |
| | Sandhar Tooling Private Limited | Subsidiaries | - | 2.18 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 70.22 | 11.04 |
| | Sandhar Ecco Green Energy Pvt. Ltd. | Joint Venture of Reporting Enterprises | 0.80 | - |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| Sale of goods | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 10.19 | 1.97 |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 1.26 | |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 88.82 | |
| | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 1.32 | 0.24 |
| Sale of PPE | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 2.36 | - |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 118.20 | - |
| Purchase of PPE | Sandhar Tooling Private Limited | Subsidiaries | 57.03 | 2.02 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | | 14.07 |
| | Indo Toolings Private Limited | Joint Venture of Reporting Enterprises | 145.14 | - |
| | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | 11.39 | 157.36 |
| Reimbursement of expenses from | Sandhar Technologies Barcelona SL | Subsidiaries | - | 13.35 |
| | Sandhar Tooling Private Limited | Subsidiaries | 11.44 | 2.38 |
| | Sandhar Hang Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 85.21 | 19.18 |
| | Sandhar Infosystems Limited | Enterprises under Common control with the Reporting Enterprises | 0.01 | 0.01 |
| | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | - | 0.07 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 6.55 | 3.46 |
| | Sandhar Strategic Systems Private Limited | Subsidiaries | - | 0.02 |
| | Sandhar Daewha Automotives Systems Pvt Ltd | Joint Venture of Reporting Enterprises | 35.78 | 21.66 |
| | Sandhar Amkin Industries Pvt Limited | Joint Venture of Reporting Enterprises | 51.14 | 10.73 |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 0.77 | - |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 17.71 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 5.17 | - |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Lease rentals (including service tax/ GST) paid to** | Sandhar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 30.47 | 29.59 |
| | Jubin Finance & Investment Limited | Enterprises under Common control with the Reporting Enterprises | 268.36 | 266.65 |
| | Urmila Joshi | Key Managerial Personnel & their relatives | 8.63 | 8.63 |
| | Jayant Davar | Key Managerial Personnel & their relatives | 6.00 | 6.00 |
| | Shorah Realty LLP | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 0.71 | 0.45 |
| **Lease rentals (including service tax/ GST) received from** | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | - | 1.16 |
| | Sandhar Hang Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 14.82 | 10.55 |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 0.28 | - |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 7.04 | - |
| **Dividend Received from** | Sandhar Tooling Private Limited | Subsidiaries | 47.95 | 11.99 |
| **Services received from** | Sandhar Tooling Private Limited | Subsidiaries | 0.12 | 9.09 |
| **Service Given** | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 13.18 | - |
| **Interest Received** | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 0.55 | - |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 0.10 | - |
| **Managerial remuneration** | Jayant Davar | Key Managerial Personnel & their relatives | 730.31 | 547.22 |
| | Arvind Joshi | Key Managerial Personnel & their relatives | 198.28 | 157.53 |
| **Dividend paid** | Jayant Davar | Key Managerial Personnel & their relatives | 390.47 | 936.47 |
| | Others | Enterprises under Common control with the Reporting Enterprises | 64.23 | 154.14 |
| | Others | Key Managerial Personnel & their relatives | 73.33 | 176.00 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Investment made in JV's and subsidiaries** | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | - | 374.26 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 331.10 | 567.98 |
| | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1,076.63 | 405.68 |
| | Sandhar Amkin Industries Pvt Ltd | Joint Venture of Reporting Enterprises | 505.00 | 40.00 |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 1.00 | - |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 49.58 | - |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 1.07 | - |
| **Loan & Advances Given to** | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 75.00 | - |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 30.00 | - |
| **Paid for Land** | Haridwar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 31.27 | - |
| **Outstanding Receivable** | PT Sandhar Indonesia | Subsidiaries | - | 419.73 |
| | Sandhar Tooling Private Limited | Subsidiaries | 1.34 | 13.43 |
| | Sandhar Technologies Barcelona SL | Subsidiaries | - | - |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 36.85 | 33.58 |
| | Haridwar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 130.77 | 99.50 |
| | Sandhar Ecco Energy Private Limited | Joint Venture of Reporting Enterprises | - | 0.09 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 3.76 | 1.29 |
| | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1.53 | 0.05 |
| | Sandhar Strategic Systems Private Limited | Subsidiaries | - | 0.06 |
| | Sandhar Amkin Industries Pvt Ltd | Joint Venture of Reporting Enterprises | 123.51 | 0.21 |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 10.31 | - |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 0.77 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 5.17 | - |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Outstanding Payable** | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 295.57 | 311.20 |
| | Shorah Realty LLP | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 0.12 | - |
| | Indo Toolings Private Limited | Joint Venture of Reporting Enterprises | 12.30 | - |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | - | 0.34 |
| | Sandhar Ecco Energy Private Limited | Joint Venture of Reporting Enterprises | - | 1.54 |
| | Urmila Joshi | Key Managerial Personnel & their relatives | 0.72 | - |
| **Security deposit given to** | Sandhar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 36.00 | 36.00 |
| | Jubin Finance & Investment Limited | Enterprises under Common control with the Reporting Enterprises | 98.88 | 98.88 |
| **Corporate guarantee/ standby letter of credit given to** | Sandhar Technologies Barcelona S L | Subsidiaries | 9,585.78 | 8,952.11 |
| **Managerial Remuneration Payable** | Jayant Davar | Key Managerial Personnel & their relatives | 598.29 | 415.20 |
| | Arvind Joshi | Key Managerial Personnel & their relatives | 87.87 | 63.00 |
| **Investment in JV's and subsidiaries** | Indo Toolings Private Limited | Joint Venture of Reporting Enterprises | 352.50 | 352.50 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 919.85 | 919.85 |
| | Sandhar Tooling Private Limited | Subsidiaries | 387.19 | 387.19 |
| | Sandhar Technologies Barcelona SL | Subsidiaries | 2029.00 | 2,029.00 |
| | PT Sandhar Indonesia | Subsidiaries | - | 403.90 |
| | Sandhar Ecco Green Energy Private Limited* | Joint Venture of Reporting Enterprises | 222.48 | 222.48 |
| | Sandhar Strategic Systems Private Limited | Subsidiaries | 1.00 | 1.00 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 900.07 | 568.97 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Related party transactions (Contd..)

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Investment in JV's and subsidiaries** | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1,482.31 | 405.68 |
| | Sandhar Amkin Industries Private Ltd | Joint Venture of Reporting Enterprises | 545.00 | 40.00 |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 1.07 | - |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 49.58 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 1.00 | - |

* During the year ended 31 March 2019, the Company noted an impairment trigger on account of proposed discontinuation of business in its joint venture company ('Sandhar Ecco Green Energy Private Limited'). Company performed an impairment assessment of its investment in equity shares of Sandhar Ecco Green Energy Private Limited to compute the fair value of its investment. Based on management's assessment, as the fair value of the investment is lower than the carrying amount of the investment, an impairment charge of ₹148.05 is recognized in the financial statements.

### C. Terms and conditions of transactions with related parties

All transactions with these related parties are priced on arm's length basis and resulting outstanding balances at the year-end are unsecured and interest free and are to be settled in cash. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 32. Disclosure required under section 186(4) of the Companies Act, 2013

### (i) Particulars of loan given

| Name of the loanee | Loan given in earlier years | Loan given during the year | Loan written off | Repayment during the year | Outstanding balance | Purpose |
|---|---|---|---|---|---|---|
| PT Sandhar Indonesia | 419.73 | - | 419.73 | - | - | Loan given in pursuance of voluntary liquidation of PT Sandhar Indonesia. The same has been written off in the current year subsequent to obtaining the RBI approval. |
| Sandhar Daewha Automotives System Pvt Ltd | - | 75.00 | - | 75.00 | - | Loan given to joint venture company in pursuant to business support. |
| Sandhar Amkin Industries Private Ltd | - | 30.00 | - | - | 30.00 | Loan given to joint venture company in pursuant to business support. |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Disclosure required under section 186(4) of the Companies Act, 2013 (Contd..)

**(ii) Particulars of Corporate guarantee/ standby letter of credit given to:**

| Name of the entity | Guarantee given | Guarantee discharged | Outstanding balance | Purpose |
|---|---|---|---|---|
| Sandhar Technologies Barcelona SL | 9,585.78 | - | 9,585.78 | To secure working capital loan |

**(iii) Particulars of investments made:**

Refer note 5A for investments made by the Company.

## 33. Finance lease obligations

| | 31-Mar-19 | | | 31-Mar-18 | | |
|---|---|---|---|---|---|---|
| | Future Minimum lease payment | Interest element of MLP | Present value of MLP | Future Minimum lease payment | Interest element of MLP | Present value of MLP |
| Within one year | 0.29 | 0.14 | 0.15 | 0.28 | 0.12 | 0.16 |
| After one year but not more than five years | 1.33 | 0.82 | 0.51 | 1.26 | 0.72 | 0.54 |
| More than five years | 345.85 | 344.19 | 1.76 | 346.21 | 344.33 | 1.88 |
| **Total** | **347.47** | **345.15** | **2.42** | **347.75** | **345.17** | **2.58** |

## 34. Remittances by the Company in foreign currency for dividend

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Dividend remitted (Rupees) | - | 268.04 |
| Dividend remitted (USD in lacs) | - | 4.17 |
| Number of non-resident shareholders | 256 | 1 |
| Number of shares held | 51,953 | 8,934,505 |

## 35. Operating Lease: Company as a lessee

The company has taken various office premises under operating lease agreements. These leases are not non-cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by lease agreement. There are no subleases.

## 36. Financial Instruments- Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| Particulars | Carrying value | | Fair value | |
|---|---|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 | As at 31 March 2019 | As at 31 March 2018 |
| **Financial assets** | | | | |
| **A. FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.8 | 44.6 | 44.8 | 44.6 |
| **B. Amortised Cost:** | | | | |
| Security deposit | 1,073.74 | 902.34 | 1,073.74 | 902.34 |
| Loans recoverable from related parties | 30.00 | 5.25 | 30.00 | 5.25 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial Instruments- Fair Values (Contd..)

| Particulars | Carrying value | | Fair value | |
|---|---|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 | As at 31 March 2019 | As at 31 March 2018 |
| Loans to employees | 25.77 | 30.30 | 25.77 | 30.30 |
| Other advances | 194.36 | 143.10 | 194.36 | 143.10 |
| **Total** | **1,323.87** | **1,080.99** | **1,323.87** | **1,080.99** |
| **Financial liabilities** | | | | |
| **A. Amortised Cost:** | | | | |
| **Borrowings** | | | | |
| Loans | 11,417.87 | 32,946.37 | 11,417.87 | 32,946.37 |
| Finance Lease Obligations | 4.24 | 4.04 | 4.24 | 4.04 |
| **Total** | **11,422.11** | **32,950.41** | **11,422.11** | **32,950.41** |

The management assessed that the fair values of short term financial assets and liabilities significantly approximate their carrying amounts largely due to the short-term maturities of these instruments. Accordingly, management has not disclosed fair values for financial instruments such as trade receivables, trade payables, cash and cash equivalents, other current assets, interest accrued on fixed deposits, other current liabilities etc.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**The following methods and assumptions were used to estimate the fair values:**

Long-term fixed-rate and variable-rate Receivables/Borrowings are evaluated by the company based on parameters such as interest Rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

The fair value of unquoted instruments, is calculated by arriving at intrinsic value of the investee. The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Company has entered into derivative financial instruments with financial institutions/ banks through Cross currency interest rate swap and principals swap.

Such derivatives are valued using valuation techniques, which employs the use of market observable inputs. Valuation technique applied by the company is Mark to Market as provided by the bank as on the date of valuation.

**Discount rates used in determining fair value:**

The interest rates used to discount estimated future cash flows, where applicable, are based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

The Company maintains policies and procedures to value financial assets or financial liabilities using the best and most relevant data available. In addition, the Company internally reviews valuation, including independent price validation for certain instruments.

## 37. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial statements that are

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into three levels presecribed under the accounting standard.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 37. Fair value hierarchy (Contd..)

All financial instruments for which fair value is recognised or disclosed are categorised with in the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company has an established control framework with respect to the measurements of fair values. This includes a valuation team and has overall responsibility for overseeing all significant fair value measurements and reports directly to the Chief Finance Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Company's audit committee.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

**A. Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2019:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measured at FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.8 | - | - | 44.8 |
| **Assets measured at amortised cost for which fair values are disclosed (refer note 36):** | | | | |
| Security deposit | 1,073.74 | - | - | 1,073.74 |
| Loans recoverable from related parties | 30.00 | - | - | 30.00 |
| Loans to employees | 25.77 | - | - | 25.77 |
| Other advances | 194.36 | - | - | 194.36 |
| **Liabilities measured at amortised cost for which fair values are disclosed (refer note 36):** | | | | |
| Loans | 11,417.87 | - | - | 11,417.87 |
| Finance Lease Obligations | 4.24 | - | - | 4.24 |

During the year ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

**B. Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2018:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measured at FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.6 | - | - | 44.6 |
| Derivative Assets (CCIRS and principal swap) | - | - | - | - |
| **Assets measured at amortised cost for which fair values are disclosed (refer note 36):** | | | | |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 37. Fair value hierarchy (Contd..)

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Security deposit | 902.34 | - | - | 902.34 |
| Loans recoverable from related parties | 5.25 | - | - | 5.25 |
| Loans to employees | 30.30 | - | - | 30.30 |
| Other advances | 143.10 | - | - | 143.10 |
| **Liabilities measured at amortised cost for which fair values are disclosed (refer note 36):** | | | | |
| Loans | 32,946.37 | - | - | 32,946.37 |
| Finance Lease Obligations | 4.04 | - | - | 4.04 |

During the year ended 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

## 38. Financial risk management objectives and policies

The Company is primarily engaged in the manufacturing and assembling of automotive components such as lock-set, mirrors and various sheet metal components including cabins for two wheelers, four wheelers and off road vehicle industry. The Company's principal financial liabilities, comprises loans and borrowings, trade and other payables and finance lease obligation. The main purpose of these financial liabilities is to support the Company's operations. The Company's principal financial assets include investments in equity, employee advances, trade and other receivables, security deposits, cash and short-term deposits that derive directly from its operations. The Company also enters into derivative transactions viz. CCIRS and Principal Swaps.

The Company has exposure to the following risks arising from financial instruments

- Market risk (see (b));
- Credit risk (see (c)); and
- Liquidity risk (see (d)).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements.

**a) Risk Management Framework**

The Company's activities makes it susceptible to various risks. The company has taken adequate measures to address such concerns by developing adequate systems and practices. The Company's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on the Company's financial performance.

The Company's senior management oversee the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Company. The board provides assurance to the shareholders that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

The Company's audit committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements

| Risk | Exposure arising from | Measurement | Management of risk |
|---|---|---|---|
| Credit Risk | Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost. | Ageing analysis, Credit ratings | Diversification of bank deposits, credit limits and letter of credit. |
| Liquidity Risk | Borrowings and liabilities | Cash flow forecasting, Sensitivity analysis | Availability of borrowing facilities. |
| Market risk - foreign currency risk | Future commercial transactions, Recognised financial liabilities not denominates in Indian Rupee (INR) | Cash flow forecasting, Sensitivity analysis | Cross currency principal interest swaps |
| Market risk – interest rate risk | Long-term borrowings at variable rates | Sensitivity analysis | |

### b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises following types of risk: interest rate risk, currency risk, price risk, and commodity risk. Financial instruments affected by market risk include loans and borrowings, investment, deposits, advances and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2019 and 31 March 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of floating to fixed interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant in place at 31 March 2019.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions.

The following assumptions have been made in calculating the sensitivity analyses:

-The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.

### c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with fixed interest rates.

The Company enters Cross Currency Interest Rate Swaps to manage its Forex and interest rate risk, in which it agrees to exchange, at specified intervals, the difference between floating and fixed rate interest amounts calculated by reference to an agreed-upon notional principal amount.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

### Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to management is as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Financial Liabilities** | | |
| **Fixed rate instruments** | | |
| - Vehicle Loan | 100.62 | 139.16 |
| **Variable rate instruments** | | |
| - Term Loans | - | 25,407.81 |
| - Cash credit from bank | 11,317.25 | 7,399.40 |
| **Financial Assets** | | |
| **Fixed rate instruments** | | |
| - Fixed Deposits | 105.74 | 101.69 |
| - Loans | 1,323.87 | 1,080.99 |

The Company does not account for fixed rate financial assets or financial liabilities at fair value through profit or loss, and the company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### Interest Rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| Particulars | Increase / decrease in basic points | Profit or loss | Profit or loss (net of tax) |
|---|---|---|---|
| **31 March 2019** | | | |
| Secured term loan from banks | 100 | 1.01 | 0.68 |
| Cash credit from bank | 100 | 113.17 | 76.39 |
| Other borrowings | 100 | - | - |
| Secured term loan from banks | (100) | (1.01) | (0.68) |
| Cash credit from bank | (100) | (113.17) | (76.39) |
| Other borrowings | (100) | (-) | (-) |
| **31 March 2018** | | | |
| Secured term loan | 100 | 204.83 | 142.09 |
| Cash credit from bank | 100 | 73.99 | 51.33 |
| Other borrowings | 100 | 49.25 | 34.16 |
| Secured term loan | (100) | (204.83) | (142.09) |
| Cash credit from bank | (100) | (73.99) | (51.33) |
| Other borrowings | (100) | (49.25) | (34.16) |

### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and borrowings in foreign currency (ECB borrowings).

The Company manages its foreign currency risk by entering into derivatives. When a derivative is entered into for the purpose of hedging, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

Details of unhedged foreign currency exposures:

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Amount In Foreign Currency | Amount in ₹ | Amount In Foreign Currency | Amount in ₹ |
| Trade Payables (USD) | 4.49 | 310.77 | 31.17 | 2,031.50 |
| Trade Payables (JPY) | 1,825.48 | 1,142.06 | 2,444.39 | 1,490.39 |
| Trade Payables (GBP) | 0.07 | 6.37 | 0.22 | 19.73 |
| Trade Payables (EUR) | 1.68 | 130.73 | 5.64 | 452.56 |
| Trade Receivables (USD) | 3.17 | 218.98 | 3.79 | 246.77 |

The following significant exchange rates were applied at the year end:

| Particulars | Year end rates | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| INR/ JPY | 0.6256 | 0.6097 |
| INR/ USD | 69.17 | 65.17 |
| INR/ GBP | 90.48 | 91.7050 |
| INR/ EUR | 77.70 | 80.174 |

*Sensitivity Analysis*

Any changes in the exchange rate of foreign currency against INR is not expected to have significant impact on the Company's profit due to the short credit period. Accordingly, a 1% appreciation/depreciation of the INR as indicated below, against the USD would have increased/reduced profit by the amounts shown below. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variable remains constant.

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure JPY | Effect on profit before tax (INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/JPY Increases by 1 % | Import Trade payables | 0.6256 | 0.0063 | 1825.48 | (11.42) | (7.71) |
| | INR/JPY Decreases by 1 % | | 0.6256 | (0.0063) | 1825.48 | 11.42 | 7.71 |
| As at 31 March 2018 | INR/JPY Increases by 1 % | | 0.6097 | 0.0061 | 2,444.39 | (14.90) | (10.34) |
| | INR/JPY Decreases by 1 % | | 0.6097 | (0.0061) | 2,444.39 | 14.90 | 10.34 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure USD | Effect on profit before tax (INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/USD Increases by 1 % | Import Trade payables | 69.1713 | 0.6917 | 4.49 | (3.11) | (2.10) |
| | INR/USD Decreases by 1 % | | 69.1713 | (0.6917) | 4.49 | 3.11 | 2.10 |
| As at 31 March 2018 | INR/USD Increases by 1 % | | 65.1700 | 0.6517 | 31.17 | (20.32) | (14.09) |
| | INR/USD Decreases by 1 % | | 65.1700 | (0.6517) | 31.17 | 20.32 | 14.09 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure GBP | Effect on profit before tax (INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/GBP Increases by 1 % | Import Trade payables | 90.4756 | 0.9048 | 0.07 | (0.06) | (0.04) |
| | INR/GBP Decreases by 1 % | | 90.4756 | (0.9048) | 0.07 | 0.06 | 0.04 |
| As at 31 March 2018 | INR/GBP Increases by 1 % | | 91.7050 | 0.9171 | 0.22 | (0.20) | (0.14) |
| | INR/GBP Decreases by 1 % | | 91.7050 | (0.9171) | 0.22 | 0.20 | 0.14 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure EURO | Effect on profit before tax (INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/EURO Increases by 1 % | Import Trade payables | 77.7024 | 0.7770 | 1.68 | (1.31) | (0.88) |
| | INR/EURO Decreases by 1 % | | 77.7024 | (0.7770) | 1.68 | 1.31 | 0.88 |
| As at 31 March 2018 | INR/EURO Increases by 1 % | | 80.1740 | 0.8017 | 5.64 | (4.53) | (3.14) |
| | INR/EURO Decreases by 1 % | | 80.1740 | (0.8017) | 5.64 | 4.53 | 3.14 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure USD | Effect on profit before tax (INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/USD Increases by 1 % | Trade receivable | 69.1713 | 0.6917 | 3.17 | 2.19 | 1.48 |
| | INR/USD Decreases by 1 % | | 69.1713 | (0.6917) | 3.17 | (2.19) | (1.48) |
| As at 31 March 2018 | INR/USD Increases by 1 % | | 65.1700 | 0.6517 | 3.79 | 2.47 | 1.71 |
| | INR/USD Decreases by 1 % | | 65.1700 | (0.6517) | 3.79 | (2.47) | (1.71) |

### Equity price risk

The Company's listed & non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), including foreign exchange transactions and other financial instruments.

### Trade receivables

Ind AS requires expected credit losses to be measured through a loss allowance. The Company assesses at each date of statements of financial position whether a financial asset or a company of financial assets is impaired. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

Company's exposure to customers is diversified and some customer contributes more than 10% of outstanding accounts receivable as of 31 March 2019 and 31 March 2018 however there was no default on account of those customers in the past.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits to customer. Limits and scoring attributed to customers are reviewed on periodic basis.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

The Company performs credit assessment for customers on an annual basis and recognizes credit risk, on the basis lifetime expected losses and where receivables are due for more than six months.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

**(a) Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Loans | 405.06 | 313.67 |
| Other financial assets | 1,341.50 | 1,029.35 |
| **Total** | **1,746.56** | **1,343.02** |

**(b) The ageing analysis of trade receivables for which loss allowance is measured using Life time Expected Credit Losses as of the reporting date is as follows:**

| Particulars | As at 31 March 2019 | 0- 6 Month | 6 – 12 month | More than 12 months |
|---|---|---|---|---|
| Gross Carrying Amount | 30,253.77 | 29,806.70 | 190.31 | 256.76 |
| Expected credit loss (Loss allowance provision) | 185.34 | - | - | 185.34 |
| Carrying amount of trade receivables | 30,068.43 | 29,806.70 | 190.31 | 71.42 |

| Particulars | As at 31 March 2018 | 0- 6 Month | 6 – 12 month | More than 12 months |
|---|---|---|---|---|
| Gross Carrying Amount | 23,647.46 | 23,401.18 | 71.52 | 174.76 |
| Expected credit loss (Loss allowance provision) | 167.34 | - | - | 167.34 |
| Carrying amount of trade receivables | 23,480.12 | 23,401.18 | 71.52 | 7.42 |

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Corporate finance department in accordance with the Company's policy. Investments of surplus funds are made only in schemes of alternate investment fund/or other appropriate avenues including term and recurring deposits with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company places its cash and cash equivalents and term deposits with banks with high investment grade ratings, limits the amount of credit exposure with any one bank and conducts ongoing evaluation of the credit worthiness of the banks with which it does business. Given the high credit ratings of these banks, the Company does not expect these banks to fail in meeting their obligations. The maximum exposure to credit risk for the components of the balance sheet at 31 March 2019 and 31 March 2018 is represented by the carrying amount of each financial asset.

**d) Liquidity risk**

Liquidity risk refers to the risk that the company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Financial risk management objectives and policies (Contd..)

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| Particulars | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying value as at 31 March 2019 | 0- 1 year | 1- 5 year | More than 5 year |
| Trade Payable | 29,369.83 | 29,369.83 | - | - |
| Borrowings | 11,417.87 | 11,358.44 | 59.43 | - |
| Other financial liabilities | 1,950.43 | 1,946.48 | 3.95 | - |
| **Total** | **42,738.13** | **42,674.75** | **63.38** | **-** |

| Particulars | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying value as at 31 March 2018 | 0- 1 year | 1- 5 year | More than 5 year |
| Trade Payable | 28,946.81 | 28,946.81 | - | - |
| Borrowings | 32,946.37 | 32,846.12 | 100.25 | - |
| Other financial liabilities | 3,705.28 | 3,701.52 | 3.76 | - |
| **Total** | **65,598.46** | **65,494.45** | **104.01** | **-** |

## 39. Capital management

**The Company's capital management objectives are:**

The Board 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 employed, as well as the level of dividends to equity shareholders.

The Company manages capital risk by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Company uses debt ratio as a capital management index and calculates the ratio as Net debt divided by total equity. Net debt and total equity are based on the amounts stated in the financial statements.

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Net Debt (A)* | 11,254.02 | 7,497.50 |
| Equity (B) | 70,865.38 | 62,357.72 |
| **Debt Ratio (A/B)** | **0.16** | **0.12** |

*Net debt includes Non-Current borrowing, Current borrowing, Current maturities of non-current borrowing net off cash and cash equivalent and other bank balance

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 40. Segment Reporting

The Company is engaged in the business of manufacturing and assembling of automotive components. The Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by industry classes. All operating segments' operating results are reviewed regularly by CODM to make decisions about resources to be allocated to the segments and assess their performance. CODM believes that these are governed by same set of risk and returns hence CODM reviews as one balance sheet component. Further, the economic environment in which the company operates is significantly similar and not subject to materially different risk and rewards.

The operating segment of the Company is identified to be "Safety and security systems" as the CODM reviews business performance at an overall Company level as one segment.

Accordingly, as the company operates in a single business and geographical segment, the reporting requirements for primary and secondary disclosures under Indian Accounting Standard - 108 Operating Segment have not been provided in the financial statements.

## 41. Disclosure in relation to Micro and Small enterprises 'Suppliers' as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

The dues to Micro, Small and Medium Enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the company is given below:

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| (a) The principal amount remaining unpaid to any supplier as at the end of the year | 1,387.97 | 2,069.36 |
| (b) The interest due on principal amount remaining unpaid to any supplier as at the end of the year | 3.31 | 0.12 |
| (c) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 alongwith the amounts of the payments made to the supplier beyond the appointed day during each accounting year | | |
| - Interest paid | 163.05 | 6.56 |
| - Payment to Suppliers | 515.03 | 436.02 |
| (d) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act. | 30.90 | 34.02 |
| (e) Amount of Interest accrued and remaining unpaid at the end of the year | 34.21 | 34.14 |
| (f) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under the MSMED Act. | 70.41 | 199.33 |

## 42. Research & Development (R & D) Expenses

The Company has incurred following expenditure on its Research and Development center at Gurgaon approved and recognised by the Ministry of Science & Technology, Government of India.

**a. Capital Expenditure**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Capital Expenditure | 87.96 | 11.54 |

# NOTES TO THE STANDALONE FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**b. Revenue Expenditure**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Employee benefits expenses | 467.04 | 373.89 |
| Power & Fuel | 4.74 | 4.40 |
| Repair & maintenance | 36.13 | 19.24 |
| Travelling & conveyance | 10.71 | 11.83 |
| Legal & professional charges | 1.12 | 12.81 |
| Miscellaneous expenses | 18.01 | 27.82 |
| **Total** | **537.75** | **449.99** |

*This includes amount of ₹39.21 which is not allowed as deduction under section 35(2AB) of Income Tax Act 1961 as R&D Expenditure.

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and
Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary
and Chief Financial Officer
DIN:01877905

**K.L. Chugh**
Non-Executive,
Independent Director
DIN:00140124

**M.L. Bhagat**
Non-Executive,
Independent Director
DIN:00699750

**Ravinder Nagpal**
Non-Executive,
Independent Director
DIN:00102970

**Arvind Kapur**
Non-Executive,
Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# INDEPENDENT AUDITOR'S REPORT

To the Members of **Sandhar Technologies Limited**

## Report on the Audit of Consolidated Financial Statements

### Opinion

We have audited the Consolidated Financial Statements of Sandhar Technologies Limited (hereinafter referred to as the 'Holding Company") and its Subsidiaries (Holding Company and its Subsidiaries together referred to as "the Group") and its Joint Ventures, which comprise the Consolidated Balance Sheet as at 31 March 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on Separate Financial Statements of such Subsidiaries and Joint Ventures as were audited by the other auditors, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the Consolidated State of Affairs of the Group and its Joint Ventures as at 31 March 2019, of its Consolidated Profit and Other Comprehensive Income, Consolidated Changes in Equity and Consolidated Cash Flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment and based on the consideration of reports of other auditors on Separate Financial Statements of three Subsidiary Companies and seven Joint Venture Company, audited by them, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Description of Key Audit Matter**

**Revenue recognition**

See note 2.4 (k) to the Consolidated Financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As disclosed in Note 18, the Group's revenue from operations for the year ended 31 March 2019 was ₹233,582.39 Lacs. As revenue is qualitatively significant to the Consolidated Statement of Profit and Loss and is one of key performance indicators of the Group, there may be risks of material misstatements related to revenue recognition due to which completeness, existence and accuracy of revenue recognition is identified as a key audit matter. | In view of the significance of the matter, we applied the following audit procedures in this area, amongst others to obtain sufficient appropriate audit evidence:<br>- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;<br>- On a sample basis, making selections from sales entries and tracing to their contracts, invoices, delivery challans and goods outward register.<br>- Trade receivables outstanding at the year end. Selecting a sample of trade receivables and assessing their recoverability with reference to post year end cash receipts.<br>- Selecting a sample of transactions recorded during the year and assessing whether revenue has been recognised in the correct period with reference to supporting invoices, terms and conditions with customers and cash receipts; and<br>- Assessing the appropriateness of unbilled revenue at the year end with reference to post year end billings and cash receipts. |

**Other Information**

The Holding Company's management and Board of Directors are responsible for the Other Information. The Other Information comprises the information included in the Holding Company's annual report, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated Financial Statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, 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 and Those Charged with Governance for the Consolidated Financial Statements**

The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these Consolidated Financial Statements in term of the requirements of the Act that give a true and fair view of the Consolidated State of Affairs, Consolidated Profit and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flows of the Group including its Joint Ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. The respective Board of Directors of the Companies included in the Group and of its Joint Ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate Internal Financial Controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Financial Statements, the respective management and Board of Directors of the Companies included in the Group and of its Joint Ventures are responsible for assessing the ability of each Company 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 respective Board of Directors of the Companies included in the Group and of its Joint Ventures is responsible for overseeing the financial reporting process of each Company.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated 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 Consolidated 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, 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 in preparation of Consolidated Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. 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 Consolidated 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 Group (Holding Company and Subsidiaries) as well as joint ventures to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its Joint Ventures to express an opinion on the Consolidated Financial Statements, of which we are the independent auditors. We are responsible for the direction, supervision and performance of the audit of financial information of such entities. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Financial Statements of which we are the independent auditors 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 Consolidated 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.

**Other Matter**

We did not audit the Financial Statements of three Subsidiaries, whose Financial Statements reflect total assets of ₹32,059.04 Lacs as at 31 March 2019, total revenues of ₹29,989.03 Lacs and net cash flows amounting to ₹160.59 Lacs for the year ended on that date, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the Group's share of net loss (and other comprehensive income) of ₹664.19 Lacs for the year ended 31 March 2019, in respect of seven Joint Ventures, whose Financial Statements have not been audited by us. These Financial Statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these Subsidiaries and Joint Ventures and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid Subsidiaries and Joint Ventures is based solely on the audit reports of the other auditors.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors.

**Report on Other Legal and Regulatory Requirements**

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on Separate Financial Statements of such Subsidiaries and Joint ventures as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, 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 of the aforesaid Consolidated Financial Statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.

d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its Subsidiary Companies and Joint Ventures incorporated in India, none of the directors of the Group Companies and Joint Ventures incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the Internal Financial Controls with reference to Financial Statements of the Holding Company, its Subsidiary Companies and Joint Ventures incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on Separate Financial Statements of the Subsidiaries and Joint Ventures, as noted in the 'Other Matters' paragraph:

i. The Consolidated Financial Statements disclose the impact of pending litigations as at 31 March 2019 on the Consolidated Financial Position of the Group and its Joint Ventures. Refer Note 31 to the Consolidated Financial Statements.

ii. The Group and its Joint ventures did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2019.

iii. There are no amounts which are required to be transferred to the Investor Education and Protection Fund by the Holding Company or its Subsidiary Companies and Joint Ventures incorporated in India during the year ended 31 March 2019.

iv. The disclosures in the Consolidated Financial Statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the Consolidated Financial Statements since they do not pertain to the financial year ended 31 March 2019.

C. With respect to the matter to be included in the Auditor's report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

Further, based on the reports of the statutory auditors of three Subsidiary Companies and Seven Joint Venture Companies incorporated in India which were not audited by us, these Subsidiary Companies and Joint Venture Companies are Private Limited Companies and accordingly the requirements as stipulated by the provisions of Section 197(16) of the Act are not applicable to these Subsidiary Companies and Joint Venture Companies.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W / W-100022

**Shashank Agarwal**
Partner
Membership number: 095109

Place: Gurugram
Date: 27 May 2019

# ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

## Report on the Internal Financial Controls with reference to the aforesaid Consolidated Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Opinion**

In conjunction with our audit of the Consolidated Financial Statements of the Company as of and for the year ended 31 March 2019, we have audited the Internal Financial Controls with reference to Consolidated Financial Statements of Sandhar Technologies Limited (hereinafter referred to as "the Holding Company") and such Companies incorporated in India under the Companies Act, 2013 which are its Subsidiary Companies and its Joint Venture Companies, as of that date.

In our opinion, the Holding Company and its three Subsidiary Companies and seven Joint Venture Companies, have, in all material respects, adequate Internal Financial Controls with reference to Consolidated Financial Statements and such Internal Financial Controls were operating effectively as at 31 March 2019, based on the Internal Financial Controls with reference to Consolidated Financial Statements criteria established by such Companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

**Management's Responsibility for Internal Financial Controls**

The respective Company's management and the Board of Directors are responsible for establishing and maintaining Internal Financial Controls with reference to Consolidated Financial Statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. 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 the respective 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 (hereinafter referred to as "the Act").

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Internal Financial Controls with reference to Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of Internal Financial Controls with reference to Consolidated 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 Consolidated Financial Statements were 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 Consolidated Financial Statements and their operating effectiveness. Our audit of Internal Financial Controls with reference to Consolidated Financial Statements included obtaining an understanding of Internal Financial Controls with reference to Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant Subsidiary Companies and Joint Venture Companies in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Internal Financial Controls with reference to Consolidated Financial Statements.

**Meaning of Internal Financial controls with Reference to Consolidated Financial Statements**

A Company's Internal Financial Controls with reference to Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's Internal Financial Controls with reference to Consolidated 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 Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Financial Statements.

**Inherent Limitations of Internal Financial controls with Reference to Consolidated Financial Statements**

Because of the inherent limitations of Internal Financial Controls with reference to Consolidated 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 Consolidated Financial Statements to future periods are subject to the risk that the Internal Financial Controls with reference to Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Other Matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the Internal Financial Controls with reference to Consolidated Financial Statements in so far as it relates to three Subsidiary Companies and seven Joint Venture Companies, which are Companies incorporated in India, is based on the corresponding reports of the auditors of such Companies incorporated in India.

Further, two Joint Venture Companies, incorporated in India, are exempted from the requirement of their auditor reporting on whether the respective Joint Venture Company has adequate Internal Financial Controls system in place and the operating effectiveness of such controls.

Our opinion is not modified in respect of the above matters.

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W / W-100022

**Shashank Agarwal**
Partner
Membership number: 095109

Place: Gurugram
Date: 27 May 2019

# CONSOLIDATED BALANCE SHEET as at 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | Note No. | As at March 31, 2019 | As at March 31, 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 73,061.18 | 66,261.81 |
| Capital work-in-progress | | 3,739.37 | 7,189.38 |
| Goodwill | 4 | 553.30 | 553.30 |
| Other Intangible assets | 4 | 727.84 | 942.30 |
| Equity accounted investees | 5 | 2,182.52 | 1,006.81 |
| Financial assets | 6 | | |
| - Investments | 6 A | 887.34 | 856.44 |
| - Loans | 6 B | 1,081.16 | 929.42 |
| Income-tax assets | 8 B | 119.83 | 133.10 |
| Other non-current assets | 8 A | 731.46 | 1,307.95 |
| **Total non-current assets** | | **83,084.00** | **79,180.51** |
| Current assets | | | |
| Inventories | 7 | 21,936.28 | 20,568.00 |
| Financial assets | 6 | | |
| - Investments | 6 A | 854.85 | 576.43 |
| - Loans | 6 B | 1,637.10 | 1,144.57 |
| - Trade receivables | 6 C | 33,721.60 | 26,743.15 |
| - Cash and cash equivalents | 6 D | 370.33 | 25,499.01 |
| - Other bank balances | 6 E | 105.93 | 101.69 |
| - Other financial assets | 6 F | 1,376.79 | 1,029.35 |
| Other current assets | 8 C, D, E | 2,969.47 | 3,502.89 |
| **Total current assets** | | **62,972.35** | **79,165.09** |
| Assets held for sale | | 96.64 | 97.17 |
| **Total assets** | | **1,46,152.99** | **1,58,442.77** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 9 | 6,019.07 | 6,019.07 |
| Other equity | 10 | 65,940.23 | 57,405.33 |
| **Equity attributable to owners of the Company** | | **71,959.30** | **63,424.40** |
| **Non controlling interest** | 11 | **350.51** | **282.81** |
| **Total equity** | | **72,309.81** | **63,707.21** |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| - Borrowings | 12 | 843.04 | 1,282.90 |
| - Other financial liabilities | 14 | 601.60 | 1,011.85 |
| Provisions | 16 | 95.43 | 69.64 |
| Deferred tax liabilities (net) | 17 | 1,695.47 | 955.79 |
| **Total non current liabilities** | | **3,235.54** | **3,320.18** |
| Current liabilities | | | |
| Financial liabilities | | | |
| - Borrowings | 12 | 25,945.84 | 20,799.75 |
| - Trade payables | 13 | | |
| • total outstanding dues of micro enterprises and small enterprises | | 1,387.97 | 2,069.36 |
| • total outstanding dues of creditors other than micro enterprises and small enterprises | | 34,093.54 | 32,736.47 |
| - Other financial liabilities | 14 | 5,080.47 | 31,385.86 |
| Other current liabilities | 15 | 2,449.53 | 1,874.31 |
| Income-tax liabilities | 16 | 364.55 | 1,393.52 |
| Provisions | 16 | 1,285.74 | 1,156.11 |
| **Total current liabilities** | | **70,607.64** | **91,415.38** |
| **Total equity and liabilities** | | **1,46,152.99** | **1,58,442.77** |
| Significant accounting policies | 2 | | |

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and
Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary
and Chief Financial Officer
DIN:01877905

**K.L. Chugh**
Non-Executive,
Independent Director
DIN:00140124

**M.L. Bhagat**
Non-Executive,
Independent Director
DIN:00699750

**Ravinder Nagpal**
Non-Executive,
Independent Director
DIN:00102970

**Arvind Kapur**
Non-Executive,
Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| Particulars | Note No. | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| **REVENUE** | | | |
| Revenue from operations | 18 | 2,33,582.39 | 1,98,411.98 |
| Other income | 19 | 637.02 | 474.17 |
| **Total income (I)** | | **2,34,219.41** | **1,98,886.15** |
| **EXPENSES** | | | |
| Cost of raw materials and components consumed | 20 | 1,38,660.60 | 1,14,902.09 |
| Changes in inventories of finished goods and work-in-progress | 21 | (371.37) | (1,275.22) |
| Excise duty on sale of goods | | - | 3,776.90 |
| Employee benefits expense | 22 | 31,169.10 | 26,479.22 |
| Finance costs | 25 | 2,394.62 | 4,317.43 |
| Depreciation and amortization expense | 23 | 8,088.12 | 6,752.10 |
| Other expenses | 24 | 38,976.85 | 33,699.87 |
| **Total expenses (II)** | | **2,18,917.92** | **1,88,652.39** |
| **Profit before share of loss of investment accounted for using equity method, exceptional items and tax (III = I - II)** | | **15,301.49** | **10,233.76** |
| Exceptional items | 26 | 74.08 | - |
| **Profit before share of loss of investment accounted for using equity method, and tax (IV)** | | **15,227.41** | **10,233.76** |
| Share in loss of joint ventures accounted for using equity method, net (V) | | 685.94 | 531.62 |
| **Profit before tax (VI = IV - V)** | | **14,541.47** | **9,702.14** |
| **Tax expense:** | 29 | | |
| Current tax | | 4,206.86 | 3,090.69 |
| Deferred tax charge | | 749.37 | 49.52 |
| **Total tax expense (VII)** | | **4,956.23** | **3,140.21** |
| **Profit for the year (VIII = VI - VII)** | | **9,585.24** | **6,561.93** |
| **Other comprehensive income** | 27 | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Re-measurement losses on defined benefit plans | | (109.20) | (84.64) |
| Income tax relating to re-measurement loss on defined benefit plans | | 37.51 | 29.53 |
| **Items that will be reclassified to profit or loss** | | | |
| Exchange differences in translating the financial statements of foreign operations | | 100.30 | 135.41 |
| Income tax relating to exchange difference in translation | | (25.08) | (33.85) |
| **Total other comprehensive income for the year, net of tax (IX)** | | **3.53** | **46.45** |
| **Total comprehensive income for the year (X = VIII + IX) (Comprising Profit and Other Comprehensive Income for the year)** | | **9,588.77** | **6,608.38** |
| **Profit attributable to:** | | | |
| - Owners of the Company | | 9,516.22 | 6,502.08 |
| - Non-controlling interest | | 69.02 | 59.84 |
| | | **9,585.24** | **6,561.92** |
| **Other comprehensive income attributable to:** | | | |
| - Owners of the Company | | 4.85 | 45.96 |
| - Non-controlling interest | | (1.32) | 0.50 |
| | | **3.53** | **46.46** |
| **Total comprehensive income attributable to:** | | | |
| - Owners of the Company | | 9,521.07 | 6,548.04 |
| - Non-controlling interest | | 67.70 | 60.34 |
| | | **9,588.77** | **6,608.38** |
| **Earnings per equity share:** | 28 | | |
| (1) Basic-Par value of ₹10 per share | | 15.92 | 12.80 |
| (2) Diluted-Par value of ₹10 per share | | 15.92 | 12.80 |
| Significant accounting policies | 2 | | |

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary and Chief Financial Officer
DIN:01877905

**K.L. Chugh**
Non-Executive, Independent Director
DIN:00140124

**M.L. Bhagat**
Non-Executive, Independent Director
DIN:00699750

**Ravinder Nagpal**
Non-Executive, Independent Director
DIN:00102970

**Arvind Kapur**
Non-Executive, Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive, Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## A. Equity share capital:

| Particulars | Note | Equity Shares | |
|---|---|---|---|
| | | No. of shares in lacs | Amount |
| **Balance as at 1 April 2017** | 9 | **511.55** | **5,115.46** |
| Changes during the year | | 90.36 | 903.61 |
| **Balance as at 31 March 2018** | | **601.91** | **6,019.07** |
| Changes during the year | | | - |
| **Balance as at 31 March 2019** | | **601.91** | **6,019.07** |

## B. Other equity

| Particulars | Attributable to owners of the Company | | | | | Total attributable to owners of the Company | Attributable to Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | Reserves and Surplus (2) | | | Items of other comprehensive income (2) | | | | |
| | Retained earnings | Security Premium | Capital reserves | Exchange differences on translation of foreign operations | Remeasurements of defined benefit liability | | | |
| **Balance as at 1 April 2017** | **21,460.24** | **311.36** | **3,190.97** | **229.34** | **(95.01)** | **25,096.90** | **222.48** | **25,319.38** |
| Transactions with owners directly recorded in equity | | | | | | | | |
| Fresh issue of equity shares | | 29,096.38 | | | | 29,096.38 | | 29,096.38 |
| Share issue expenses | | (1,485.32) | | | | (1,485.32) | | (1,485.32) |
| Total Comprehensive income for the year ended 31 March 2018 | | | | | | | | |
| Profit for the Year | 6,501.59 | - | - | - | - | 6,501.59 | 60.33 | 6,561.92 |
| Other comprehensive income (net of tax) | - | - | - | 101.57 | (55.11) | 46.46 | - | 46.46 |
| Contribution by and distribution to owner | | | | | | | | |
| Dividend on equity shares (Interim) | (517.61) | - | - | - | - | (517.61) | - | (517.61) |
| Dividend on equity shares (Final) | (1,023.09) | - | - | - | - | (1,023.09) | - | (1,023.09) |
| Tax on Dividend (interim and final) | (309.98) | - | - | - | - | (309.98) | - | (309.98) |
| **Balance as at 31 March 2018** | **26,111.15** | **27,922.42** | **3,190.97** | **330.91** | **(150.12)** | **57,405.33** | **282.81** | **57,688.14** |
| Transactions with owners directly recorded in equity | | | | | | | | |
| Share issue expenses | - | (62.75) | - | - | - | (62.75) | - | (62.75) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## B. Other equity (Contd..)

| Particulars | Attributable to owners of the Company | | | | | Total attributable to owners of the Company | Attributable to Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| | Reserves and Surplus (2) | | | Items of other comprehensive income (2) | | | | |
| | Retained earnings | Security Premium | Capital reserves | Exchange differences on translation of foreign operations | Remeasurements of defined benefit liability | | | |
| Total Comprehensive income for the year ended 31 March 2019 | | | | | | | | |
| Profit for the Year | 9,517.54 | - | - | - | - | 9,517.54 | 67.70 | 9,585.24 |
| Other comprehensive income (net of tax) | - | - | - | 75.22 | (71.69) | 3.53 | - | 3.53 |
| Contribution by and distribution to owner | | | | | | | | |
| Dividend on equity shares (Interim) | (778.62) | - | - | - | - | (778.62) | - | (778.62) |
| Tax on Dividend (Interim) | (144.80) | - | - | - | - | (144.80) | - | (144.80) |
| **Balance as at 31 March 2019** | **34,705.27** | **27,859.67** | **3,190.97** | **406.13** | **(221.81)** | **65,940.23** | **350.51** | **66,290.74** |

**Notes:**

1 During the year ended 31 March 2019 and 31 March 2018, the Company has paid dividend to its shareholders. This has resulted in payment of Dividend Distribution Tax (DDT) to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

2. Refer note 10 for nature and purpose of other equity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and
Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary
and Chief Financial Officer
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**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

| | Particulars | Year ended March 31, 2019 | Year ended March 31, 2018 |
|---|---|---|---|
| **A** | **Cash flow from operating activities** | | |
| **1** | **Profit before tax** | 14,541.47 | 9,702.14 |
| **2** | **Adjustments for :** | | |
| | Depreciation and amortization expense | 8,088.12 | 6,752.10 |
| | (Profit) / Loss on sale of property, plant and equipment | (34.92) | 27.02 |
| | Unrealised foreign exchange loss | 8.95 | 38.99 |
| | Interest expense | 2,394.62 | 4,317.43 |
| | Loss on account of cessation of joint venture | 74.08 | - |
| | MTM loss on derivative liability | - | 26.55 |
| | Bad debts and advances written off | 20.68 | 1.47 |
| | Interest income on security deposits measured at amortised cost | (11.06) | (10.64) |
| | Gain on investments carried at fair value through profit or loss | (32.23) | (59.73) |
| | Interest income | (122.64) | (73.62) |
| | Government grant | - | (3.00) |
| **3** | **Operating profit before working capital changes (1+2)** | **24,927.07** | **20,718.71** |
| **4** | **Movements in working capital:** | | |
| | Increase in trade receivables | (7,002.41) | (6,211.82) |
| | Increase in inventories | (1,368.28) | (4,385.38) |
| | Increase in long-term loans and advances | (151.74) | (361.66) |
| | Increase in financial assets, including assets held for sale | (822.50) | (46.33) |
| | Decrease/(Increase) in other current assets | 533.42 | (1,293.47) |
| | Increase in trade payables | 670.00 | 11,525.52 |
| | Increase/(Decrease) in current provisions | 98.49 | (4.14) |
| | Increase in other financial liabilities | 395.34 | 9.58 |
| | Increase in other current liabilities | 575.22 | 612.03 |
| | **Total movement in working capital:** | **(7,072.46)** | **(155.67)** |
| **5** | **Cash generated from operations (3+4)** | 17,854.61 | 20,563.04 |
| **6** | **Less : Income tax paid (net of refunds)** | 5,247.01 | 1,765.15 |
| **7** | **Net cash generated from operating activities (5-6)** | **12,607.60** | **18,797.89** |
| **B** | **Cash flow from investing activities:** | | |
| | Purchase of Property, plant and equipment, Capital work in progress, other intangible assets and capital advances | (12,356.96) | (17,613.96) |
| | Proceeds from sale of property, plant and equipment | 289.27 | 91.75 |
| | Purchase of non-current investment in joint ventures | (1,280.53) | (830.92) |
| | Purchase of current investment | (246.34) | (468.25) |
| | (Increase) / Redemption of Bank deposits (having original maturity of more than 3 months) | (4.25) | 1.16 |
| | Interest received | 116.75 | 85.22 |
| | **Net cash used in investing activities:** | **(13,482.06)** | **(18,735.00)** |
| **C** | **Cash flow from financing activities:** | | |
| | Repayment of long-term borrowings | (26,022.96) | (8,503.79) |
| | Proceeds from long-term borrowings | - | 8,234.01 |
| | Proceeds from short-term borrowings (net) | 5,166.69 | 2,590.94 |
| | Proceeds from issue of equity share capital | - | 30,000.00 |
| | Share issue expenses | (62.75) | (1,485.32) |
| | Dividend paid during the year (including dividend distribution tax) | (923.42) | (1,850.68) |
| | Interest paid | (2,500.94) | (4,259.20) |
| | **Net cash (used in) / generated from financing activities:** | **(24,343.38)** | **24,725.96** |
| **D** | **Net (decrease) / increase in Cash and cash equivalents (A+B+C)** | **(25,217.84)** | **24,788.85** |
| | Impact on cash flow on account of foreign currency translation | 89.16 | 142.34 |
| **E-1** | Cash and cash equivalents as at the beginning of year | 25,499.01 | 567.82 |
| **E-2** | Cash and cash equivalents as at end of the year | 370.33 | 25,499.01 |
| | **Cash and cash equivalents include :** | | |
| | Balances with banks: | | |
| | – In current accounts | 136.60 | 25,488.54 |
| | – Cheques on hand | 41.99 | - |
| | Cash on hand | 18.79 | 10.47 |
| | Deposits with original maturity for less than three months | 172.95 | - |
| | **Cash and cash equivalents at the end of the year** | **370.33** | **25,499.01** |

# CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**Reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities:**

| Particulars | Non - current borrowings* | Current borrowings |
|---|---|---|
| **Opening balance as at 1 April 2018** | **27,680.54** | **20,799.75** |
| Cash flows during the year | (26,129.29) | 5,166.69 |
| Non-cash changes due to: | | |
| - Foreign currency translation | - | (20.60) |
| **Closing balance as at 31 March 2019** | **1,551.25** | **25,945.84** |

*Includes current maturities of non-current borrowings and interest accrued thereon, refer Note 14.

**Notes:**

1. The Consolidated cash flow statement has been prepared in accordance with "Indirect Method" as set out on Indian Accounting Standard -7 on "Statement on Cash Flows".
2. Refer note 2 for significant accounting policies.
3. The Company paid in cash ₹196.83 Lacs for the year ended 31 March 2019 and ₹86.93 Lacs for the year ended 31 March 2018 towards Corporate Social Responsibility (CSR) expenditure.

The accompanying notes are an integral part of these Consolidated Financial Statements.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

Place: Gurugram
Date: 27 May 2019

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and
Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary
and Chief Financial Officer
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DIN:00102970

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Non-Executive,
Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive,
Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 1. Corporate Information

Sandhar Technologies Limited ('STL' or 'the Company' or 'the Parent Company') is a Public Limited Company domiciled in India and was incorporated on 19 October 1987 in New Delhi, India under the provisions of the Companies Act in India. Sandhar Group (the Parent Company and its subsidiary companies together referred to as "the Group") and its joint ventures are principally engaged in the manufacturing and assembling of safety and security systems and its associated components for the automotive industry in India, designing and manufacturing of moulds, dies and dies parts, machine tools, jigs and fixtures and fabrication and assembly and construction, agri – farm and railway products.

The Consolidated Financial Statements for the year ended 31 March 2019 comprise Financial Statements of the Group and its joint ventures.

## 2. Significant Accounting Policies, Principles of Consolidation and Basis of preparation

### 2.1 Principles of Consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

#### i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

The subsidiary companies which are included in the Consolidation and the Parent Company's holding therein is as under:

| S. No. | Name of the Subsidiary Company | Nature of relation | Ownership in % either directly or through subsidiaries 2018-19 | 2017-18 | Country of Incorporation and Principal place of Business |
|---|---|---|---|---|---|
| 1 | Sandhar Tooling Private Limited (STPL) | Subsidiary | 79.92 | 79.92 | India |
| 2 | Sandhar Technologies Barcelona S.L. (STB) | Subsidiary | 100 | 100 | Spain |
| | A Breniar Project, SL (BP) | Step Down Subsidiary | 100 | 100 | Spain |
| | B Sandhar Technologies Poland sp.Zoo (STP) | Step Down Subsidiary | 100 | 100 | Poland |
| | C Sandhar Technologies de Mexico S de RL de CV (STM) | Step Down Subsidiary | 100 | 100 | Mexico |
| 3 | PT Sandhar Indonesia (PTSI) (ceased w.e.f 29 August 2016) | Subsidiary | - | - | Indonesia |
| 4. | Sandhar Euro Holdings B.V. (SHBV) (ceased w.e.f 2 January 2017) | Subsidiary | - | - | Netherlands |
| 5. | Sandhar Strategic Systems Private Limited | Subsidiary | 99.99 | 99.99 | India |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's Financial Statements in preparing the Consolidated Financial Statements to ensure conformity with the Group's accounting policies.

The Financial Statements of all entities used for the purpose of Consolidation are drawn up to same reporting date as that of the parent Group, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for Consolidation purposes, additional Financial Information as of the same date as the Financial Statements of the parent to enable the parent to Consolidate the Financial Information of the subsidiary, unless it is impracticable to do so.

### ii. Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### iii. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognized in profit or loss.

### iv. Equity accounted investees

The Group's interests in equity accounted investees comprise interests in its joint ventures.

The joint venture companies which are included in the Consolidation and the Parent Company's holding therein is as under:

| S. No. | Name of the Joint Venture Company | JV Partner | % Share in JV | | Country of Incorporation and Principal place of Business |
|---|---|---|---|---|---|
| | | | 2018-19 | 2017-18 | |
| 1. | Indo Toolings Private Limited (ITPL) | JBM Auto Limited | 50 | 50 | India |
| 2. | Sandhar Han Sung Technologies Private Limited (SHTPL) | Han Sung Imp Co. Limited | 50 | 50 | India |
| 3. | Sandhar Ecco Green Energy Private Limited | DMRG Investment Private Limited and Tarun Agarwal | 50 | 50 | India |
| 4. | Jinyoung Sandhar Mechatronics Private Limited | Jinyoung Electro-Mechanics Co. Ltd. | 50 | 50 | India |
| 5. | Sandhar Amkin Industries Private Limited | Amkin Group Private Limited | 50 | 50 | India |
| 6. | Sandhar Daewha Automotive Systems Private Limited | Daehwa fuel pump Ind., Limited | 50 | 50 | India |
| 7. | Sandhar Daeshin Auto Systems Private Limited (Incorporated on 3 May 2018) | Daeshin Machinery Ind. Co. Ltd. | 50 | NA | India |
| 8. | Sandhar Whetron Electronics Private Limited (Incorporated on 19 July 2018) | Whetron Electronics Co. Ltd. | 50 | NA | India |
| 9. | Kwangsung Sandhar Technologies Private Limited (Incorporated on 6 February 2019) | Kwangsung Corporation Limited | 50 | NA | India |

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of profit or loss and OCI of equity-accounted investees until the date on which significant influence or joint control ceases.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**Consolidation procedure:**

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the Consolidated Financial Statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and property, plant and equipment ('PPE'), are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the Consolidated Financial Statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on Consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

**2.2 Basis of preparation**

**(i) Statement of compliance**

These Consolidated Financial Statements of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under Section 133 of Companies Act, 2013, (the 'Act'), read with Companies (Indian Accounting Standards) (Amendment) Rules as amended from time to time and other relevant provisions of the Act.

Effective 1 April 2016, the Company had transitioned to Ind AS while the Financial Statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance of Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected to certain exemption which are listed as below:

**a) Business Combination:**

Company has opted for exemption under Ind AS 101 with respect to Business Combinations whereby Company has elected not to apply Ind AS 103 retrospectively to past business combinations i.e. (to business combinations that occurred before the date of transition to Ind AS).

**b) Deemed cost exemption on Property, Plant and Equipment**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the Financial Statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**c) Investment in subsidiaries:**

As per the requirements of Ind AS 27, Company has opted to record its equity investment in subsidiary at cost. Ind AS 101 provides that while measuring investment at cost, an entity shall measure that investment at one of the following amounts in its separate opening Ind AS Balance Sheet:

(i) cost determined in accordance with Ind AS 27; or

(ii) deemed cost. The deemed cost of such an investment shall be its

(a) fair value at the entity's date of transition to Ind ASs in its Separate Financial Statements; or

(b) previous GAAP carrying amount at that date.

Accordingly, Company has opted to record its investment in subsidiary at previous GAAP carrying amount at transition date.

**d) Investment in joint ventures**

Ind AS 101 permits a first-time adopter to elect while changing from proportionate consolidation to equity method, to measure its investments in a joint venture at the date of transition as the aggregate of the carrying amount of the assets and liabilities that the entity had previously proportionately consolidated, including any goodwill arising from acquisition. The resultant amount is regarded as deemed cost of investment in the joint venture at intial recognition. Accordingly, the Group has elected to carry the deemed cost of investment in joint ventures as the aggregate amount of the assets of liabilities that was previously proportionately consolidated.

**e) Leases:**

Ind AS 101 permits that if there is any land lease newly classified as finance lease then the first time adopter may recognise assets and liability at fair value on that date; and any difference between those fair values is recognized in retained earnings.

Company has therefore classified land leases with multi decade lease periods as finance lease as on transition date.

## (ii) Functional and presentation currency

These Consolidated Financial Statements are presented in Indian Rupees (INR), which is also the Group's functional currency. All amounts have been rounded-off to the nearest Lakhs, unless otherwise indicated.

## (iii) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the items which have been measured at fair value or revalued amount:

| Items | Measurement basis |
|---|---|
| Certain financial assets and financial liability | Fair value |
| Investment in preference shares (unquoted) | Fair value |
| Net defined benefit plan (asset)/ liability | Fair value of plan assets less present value of defined benefit obligation. |

## (iv) Use of estimates and judgements

In preparation of these Consolidated Financial Statements, management has made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized prospectively. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements is included in the following notes.

- Recognition and estimation of tax expense including deferred tax – Note 29
- Estimated impairment of financial assets and non-financial assets – Note 2.4(r) and 2.4(q)
- Assessment of useful life of property, plant and equipment and intangible asset – Note 2.4(d)
- Estimation of obligations relating to employee benefits: key actuarial assumptions – Note 30
- Valuation of Inventories – Note 2.4(j)

- Recognition and measurement of provisions and contingencies: Key assumption about the likelihood and magnitude of an outflow of resources – Note 31
- Lease classification – Note 33
- Fair value measurement – Note 2.2(v)

## (v) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

The Group has an established control framework with respect to the measurement of fair values. The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Parent Company's audit committee.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 34 – Financial instrument.

### 2.3 Changes in significant accounting policies

The Group has initially applied Ind AS 115 from 1 April 2018.

Due to the transition methods chosen by the Company in applying the above standard, comparative information throughout these Financial Statements has not been restated to reflect the requirements of the new standard.

There is no significant impact of transition from Ind AS 18 to Ind AS 115 in recognizing revenue by the Group.

Ind AS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced Ind AS 18 Revenue Recognition, Ind AS 11 Construction Contracts and related interpretations. Under Ind AS 115, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group has adopted Ind AS 115 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2017-18 has not been restated – i.e. it is presented, as previously reported, under Ind AS 18, Ind AS 11 and related interpretations. Additionally, the disclosure requirements in Ind AS 115 have not generally been applied to comparative information.

### 2.4 Summary of significant accounting policies

#### a. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:

(a) Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

(b) Liabilities or equity instruments related to share based payment arrangements of the acquiree or share – based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 Share-based Payments at the acquisition date.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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(c) Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 Non-current Assets held for Sale and Discontinued Operations are measured in accordance with that standard.

(d) Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognizes the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

### b. Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over the subsidiaries.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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The Group's investments in its joint venture are accounted for using the equity method. Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Consolidated Statement of Profit and Loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity joint venture, the Group recognizes its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in joint venture.

If an entity's share of losses of a joint venture equals or exceeds its interest in joint venture (which includes any long term interest that, in substance, form part of the Group's net investment in joint venture), the entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of joint venture. If the joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the Consolidated Statement of Profit and Loss.

The Financial Statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share of profit of a joint venture' in the Consolidated Statement of Profit and Loss.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

### c. Foreign currency transactions

The Group's Consolidated Financial Statements are presented in INR, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition or an average rate if the average rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of the following:

- Exchange differences arising on monetary items that forms part of a reporting entity's net investment in a foreign operation are recognized in profit or loss in the Separate Financial Statements of the reporting entity or the individual Financial Statements of the foreign operation, as appropriate. In the Financial Statements that include the foreign operation and the reporting entity such exchange differences are recognized initially in OCI. These exchange differences are reclassified from equity to profit or loss on disposal of the net investment.
- Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or the statement of profit and loss are also recognized in OCI or the Statement of Profit and Loss, respectively).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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**Group companies**

On Consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their Statements of Profit or Loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the Group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for Consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising in the acquisition/ business combination of a foreign operation on or after 1 April 2016 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**Foreign operations**

The assets and liabilities of foreign operations (subsidiaries) including goodwill and fair value adjustments arising on acquisition, are translated into INR, the functional currency of the Group and its joint ventures, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation recognized in OCI is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is re-allocated to NCI. When the Group disposes of only a part of its interest in an associate or a joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

## d. Property, plant and equipment ('PPE')

### (i) Recognition and Measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment includes its purchase price, import duties and non-refundable purchase taxes, duties or levies, after deducting trade discounts and rebates, any other directly attributable cost of bringing the asset to its working condition for its intended use the cost of replacing part of the plant and equipment and borrowing costs for long – term construction projects if the recognition criteria are met and estimated cost of dismantling and removing the items and restoring the site on which it is located. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 2.2 (iv) regarding significant accounting judgements, estimates and assumptions.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

A property, plant and equipment is eliminated from the Consolidated Financial Statements on disposal or when no further benefit is expected from its use and disposal. Assets retired from active use and held for disposal are generally stated at the lower of their net book value and net realizable value. Any gain or losses arising on disposal of property, plant and equipment is recognized in the Statement of Profit and Loss.

Once classified as held-for-sale, intangible assets, property, plant and equipment are no longer amortized or depreciated.

Gains or losses arising from de-recognition of PPE are measured as the difference between the net

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Profit and Loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**(iii) Depreciation**

Depreciation on PPE is calculated on a straight-line basis to allocate their cost, net of their estimated residual values, over the estimated useful lives and is recognized in the Consolidated Statement of Profit and Loss. The identified components are depreciated over their useful life, the remaining asset is depreciated over the life of the principal asset. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Leasehold land is amortized on a straight line basis over the period of the lease which ranges between 89-99 years.

The Group has used the following rates to provide depreciation which coincides with the rates indicated in Schedule II of the Act, on its PPE, except for temporary erection, Computers (Servers and networks) and Non – commercial vehicles.

| Asset category | Useful lives estimated by the management (years) |
|---|---|
| Factory Buildings | 30 years |
| Other Buildings | 60 years |
| Carpeted RCC Roads | 10 years |
| Tube wells | 5 years |
| Plant and Machinery | 7.5 - 20 years |
| Electrical Installations | 10 - 25 years |
| Office Equipment | 5 years |
| Racks and Bins | 10 years |
| Furniture & Fixtures | 10 - 20 years |
| Commercial Vehicles | 8 years |
| Tools, Moulds and Dies | 5 - 6 years |

The management has estimated, supported by independent assessment by technical experts, professionals, the useful lives of the following classes of assets:

- The useful lives of temporary erection is estimated 1 year, which is lower than those indicated in Schedule II
- Computers (Servers and networks) are depreciated over the estimated useful lives of 3 - 4 years, which is lower than those indicated in Schedule II.
- Non Commercial Vehicles are depreciated over the estimated useful lives of 6 years, which is lower than those indicated in Schedule II.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

In case of Sandhar Technologies Barcelona S.L., the costs of acquisition of equipment, systems or installations for the elimination, reduction or control of the possible environment impacts of the business are capitalized.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

## e. Goodwill and other intangible assets

**(i) Recognition and Measurement**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an item of intangible asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any attributable costs of bringing the asset to its working condition for its intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Consolidated Statement of Profit or Loss in the period in which the expenditure is incurred.

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An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Profit and Loss.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

**(iii) Amortization**

The useful lives of intangible assets are assessed as either finite or indefinite

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the Consolidated Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made prospective basis.

- Technical knowhow

  Amounts paid towards technical know-how fees for specifically identified projects/products being development expenditure incurred towards product design is carried forward based on assessment of benefits arising from such expenditure. Such expenditure is amortized over the period of expected future sales from the related product, i.e. the estimated period of 60 to 72 months on straight line basis based on past trends, commencing from the month of commencement of commercial production.

- Software

  Software purchased by the Group are amortized on a straight line basis i.e. non-standard (customized) software in four years and standard (non-customized) software in five years.

- Goodwill

  Goodwill is not amortized but will be tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statement of Profit and Loss when the asset is derecognized.

Amortization method, useful lives and residual lives are reviewed at the end of each financial year and adjusted, if appropriate

## f. Leases

**(i) Determining whether an arrangement contains a lease**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the incremental borrowing rate.

**(ii) Assets held under lease**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Consolidated Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs (See note 2.4 (g)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policies applicable to similar owned assets. Assets held under leases that do not transfer to the Group and its joint ventures substantially all the risk and rewards of ownership (i.e. operating lease) are not recognized in the Group's Balance Sheet.

**(iii) Lease payments**

Payments made under operating leases are generally recognized in the Consolidated Statement of Profit and Loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase. Lease incentive received are recognized as an integral part of the total lease expense over the term of the lease. Operating lease payments are not straight lined in cases where the escalation is expected to increase in line with the expected general inflation to compensate for the lessor's expected inflationary cost.

Payments made under finance lease are allocated between the outstanding liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit and Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### g. Borrowing Costs

Borrowing cost includes 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), amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they are incurred.

### h. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

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

An asset's recoverable amount is the higher of an individual asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

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The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/ forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

The Groups's corporate assets do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses, if any, are recognized in the Consolidated Statement of Profit and Loss. Impairment losses of continuing operations, including impairment on inventories, are recognized in the Consolidated Statement of Profit and Loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation surplus.

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Statement of Profit and Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

## i. Government grant

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as other operating revenue on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments.

## j. Inventories

Inventories which includes raw materials, components, stores, work in progress, finished goods and spares are valued at the lower of cost and net realizable value. However, raw materials, components and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost or in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials and components:** Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Companies in the Group, adopt First-in-first-out (FIFO) method for valuing raw materials, components, stores and spares (RM & Stores).
- **Finished goods and work in progress:** Cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. Cost of work-in-progress (WIP) and finished goods (FG) is based on FIFO method.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The net realizable value of work-in-progress is determined with reference to the selling prices of related finished products.

The comparison of cost and net realizable value is made on an item-by-item basis.

### k. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

However, sales tax/ value added tax (VAT)/ Goods and Services Tax (GST) is not received by the Group on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

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

Effective 1 April 2018, the Group has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The Group has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. 1 April 2018). The standard is applied retrospectively only to contracts that are not completed as at the date of initial application and the comparative information in the Consolidated Statement of Profit and Loss is not restated – i.e. the comparative information continues to be reported under Ind AS 18. Refer note 2.3 (k) – Significant accounting policies – Revenue recognition in the Annual report of the Parent Company for the year ended 31 March 2018, for the revenue recognition policy as per Ind AS 18. The impact of the adoption of the standard on the Consolidated Financial Statements is insignificant.

**Sale of goods**

The Group recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

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

Unearned or deferred revenue is recognised when there is billings in excess of revenues.

Contracts are subject to modification to account for changes in contract specification and requirements. The Group reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

Use of significant judgements in revenue recognition:

a) The Group's contracts with customers could include promises to transfer products to a customer. The Group assesses the products promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

b) Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Group allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

c) The Group uses judgement to determine an appropriate standalone selling price for a performance obligation. The Group allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.

d) The Group exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Group considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

**Rendering of services**

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Job work and development charges are recognized upon full completion of the job work and development services and when all the significant risks and rewards of ownership of the goods have been passed to the buyer, on delivery of the goods and no significant uncertainty exists regarding the collection of the consideration.

**Interest income**

For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in the Consolidated Statement of Profit and Loss.

**Dividends**

Revenue is recognized when the Group's right to receive the payment is established by the reporting date.

## l. Income tax

Income tax expense comprises current and deferred tax. It is recognized in Consolidated Statement of Profit and Loss except to the extent that it relates to a business combination or to an item recognized directly in equity or in other comprehensive income.

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognized amounts, and it is intended to realize the asset and settle the liability on a net basis or simultaneously.

**Deferred tax**

Deferred tax is provided using the Balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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Deferred tax liabilities are recognized for all taxable temporary differences.

In the situations where the Group is entitled to a tax holiday under the Income Tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax asset is recognized in respect of timing differences which are reversed during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

Deferred tax assets are recognized on carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Group recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred income tax are not provided on the undistributed earnings of the subsidiaries where it is expected that the earnings of the subsidiary will not be distributed in the foreseeable future.

Minimum alternate tax (MAT) paid in a year is charged to the Consolidated Statement of Profit and L:oss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Consolidated Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

## m. Segment reporting

**Basis for segmentation**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. The Group is primarily engaged in the manufacturing and assembling of safety and security systems and its associated components for the automotive industry. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segments and assess their performance. CODM believes that these are governed by same set of risk and returns hence CODM reviews as one balance sheet component.

The Group and its joint ventures are governed by the same set of risks and returns but subject to the geographical industry trends and hence the Group and its joint ventures business activities fall within a single primary business segment. The principal geographical

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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segments are classified as India, Europe and others since there are different risks and returns of the geographies.

## n. Earnings per share (EPS)

Basic earnings / (loss) per share are calculated by dividing the profit or loss for the year attributable to the shareholders of the Group by the weighted average number of equity shares outstanding at the end of the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, if any, that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

## o. Provisions (other than for employee benefits)

### General

Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed the expense relating to a provision is presented in the Consolidated Statement of Profit and Loss net of any reimbursement. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

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.

### Warranties

Provision for warranty related costs are recognized when the product is sold or service provided and is based on historical experience. The provision is based on technical evaluation/ historical warranty data and after weighting of all possible outcomes by their associated probabilities. The estimate of such warranty related costs is revised annually. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### Contingent liability

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 Group or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

## p. Employee benefits

### India

### i. Short-term employee benefits

All employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. 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, if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

### ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group makes specified monthly contributions to the Regional Provident Fund Commissioner towards provident fund, superannuation fund scheme and employee state insurance scheme ('ESI'). Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the Consolidated Statement of Profit and Loss in the periods during which the related services are rendered by employees. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme

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is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

iii. Defined benefit plans

The Group operates a defined benefit gratuity plan, which requires contributions to be made to Kotak Mahindra Old Mutual Life Insurance Limited and LIC of India. There are no other obligations other than the contribution payable to the respective trust.

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations.

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation as an expense in the Consolidated Statement of Profit and Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

iv. Other long term employee benefits

Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Group records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

As per the compensated absence encashment policy, the Group does not have an unconditional right to defer the compensated absence of employees, accordingly the entire compensated absence obligation as determined by an independent actuary has been classified as current liability as at year end.

Europe

In case of Sandhar Technologies Barcelona S.L. according to the sector social agreement (Convenio Siderometalurgico de la provincia de Barcelona) the Company pays 2 additional payrolls in June and December. The 2 additional payments, as well as the holiday payroll are provisioned every month on accrual basis.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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## q. Financial instruments

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

### i. Recognition and initial measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue.

### ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair Value through Other Comprehensive Income ('FVOCI') – debt instrument;
- FVOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the profit or loss. The losses arising from impairment are recognized in the Consolidated Statement of Profit and Loss. This category generally applies to trade and other receivables. The Group has recognized financial assets viz. security deposit, trade receivables, employee advances at amortized cost.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the Consolidated Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to the Consolidated Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

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are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Consolidated Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Consolidated Statement of Profit and Loss.

### Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial asset: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingents events that would change the amounts or timings of cash flows;
- Terms that may adjust the contractual coupon rate, including variable interest rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non - recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual at par amount, as feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

Financial assets: Subsequent measurement and gains and losses

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| **Financial assets at amortized cost** | These assets are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| **Debt investment at FVOCI** | These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| **Equity investment at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss. |

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**iii. Derecognition**

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

**iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**v. Derivative financial instruments and hedge accounting**

The Group uses derivative instruments such as foreign exchange forward contracts and currency swaps to hedge its foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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(Rupees in lacs, except share data, per share data and unless otherwise stated)

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognized in profit and loss.

### Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on:

- Financial assets measured at amortized cost; and
- Financial assets measured at FVOCI – debt instruments.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt instruments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit – impaired includes the following observable data:

For recognition of impairment loss on financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has not increased significantly, 12 month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12 month ECL.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is 90 days or more past due.

### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to Consolidated Statement of Profit and Loss and is recognized in OCI.

### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write- off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for the recovery of amount due.

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

a. Financial assets that are debt instruments, and are measured at amortized cost e.g., deposits, and advances.
b. Trade receivables that result from transactions that are within the scope of Ind AS 115
c. Financial guarantee contracts which are not measured as at FVTPL.

The Group follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables.

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognizing impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

### r. Recognition of interest expense

**Interest expense is recognized using effective interest method.**

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to:

- The amortized cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortized cost of the liability.

### s. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and cheques on hand, which are subject to an insignificant risk of changes in value.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash at bank, cash on hand and cheques on hand as they are considered an integral part of the Group's cash management.

### t. Cash flow statement

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

### u. Cash dividend and non-cash distribution to equity holders of the parent

The Group 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 Group. 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.

### v. Corporate Social Responsibility ("CSR") expenditure:

CSR expenditure incurred by the Group is charged to the Consolidated Statement of the Profit and Loss.

### w. Research and development:

Expenditure on research and development activities is recognized in the Consolidated Statement of Profit and Loss as incurred.

Development expenditure is capitalized as part of cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortization and any accumulated impairment losses, if any.

### x. Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind ASs which the Group has not applied as they are effective from 1 April 2019:

**A. Ind AS 116, Leases**

Ind AS 116 sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Consolidated Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements as per Ind AS 17. This new standard provides two approaches to transition:

1. Full retrospective approach- Under this approach, the lessee applies the new standard retrospectively to each prior period presented and recognised an adjustment in equity at the beginning of the earliest period presented in accordance with Ind AS -8.

2. Modified retrospective approach- Under this approach, the lessee applies the new standard from the beginning of the current period and recognised an adjustment in equity at the beginning of the current and does not restate its prior financial information.

The effective date for adoption of this standard is annual period beginning on or after 1 April 2019. The Group will adopt this standard using modified retrospective approach effective 1 April 2019 for transition to IND AS 116 and will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

The Group has completed an initial assessment of the potential impact on its Consolidated Financial Statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the Consolidated Financial Statements in the period of initial application is not reasonably estimable as at present.

**B. Amendment to Ind AS 19 – 'Employee benefits'**

The amendments to Ind AS 19, clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group does not expect this amendment to have any significant impact on its Consolidated Financial Statements.

**C. Amendments to Ind AS 12 - 'Income taxes'**

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Group does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Group does not expect any significant impact of the above amendment on its Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 3. Property, plant and equipment

| Particulars | Freehold Land (refer note 1 below) | Leasehold Land | Buildings | Plant and Equipment | Office equipments | Vehicles | Furnitures and Fixtures | Total |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying value as at 1 April 2017** | 10,245.69 | 2,479.88 | 13,473.28 | 35,042.56 | 1,315.93 | 441.04 | 493.07 | 63,491.45 |
| Additions | 222.59 | - | 2,328.86 | 9,995.68 | 408.09 | 163.46 | 175.47 | 13,294.15 |
| Disposals | - | - | 7.73 | 131.58 | 0.55 | 0.00 | 1.82 | 141.68 |
| Exchange difference on translation of foreign operations | - | - | - | 1,493.43 | 10.19 | - | 4.34 | 1,507.96 |
| **Gross carrying value as at 31 March 2018** | **10,468.28** | **2,479.88** | **15,794.41** | **46,400.09** | **1,733.66** | **604.50** | **671.06** | **78,151.88** |
| Additions | 164.38 | - | 2,469.80 | 11,349.33 | 459.16 | 79.52 | 267.11 | 14,789.30 |
| Disposals | - | - | 5.72 | 707.93 | 33.65 | 45.15 | 2.51 | 794.96 |
| Exchange difference on translation of foreign operations | - | - | - | (85.75) | 0.37 | - | (0.86) | (86.24) |
| **Gross carrying value as at 31 March 2019** | **10,632.66** | **2,479.88** | **18,258.49** | **56,955.74** | **2,159.54** | **638.87** | **934.80** | **92,059.98** |
| **Accumulated depreciation** | | | | | | | | |
| Balance as at 1 April 2017 | - | 25.76 | 554.64 | 4,275.32 | 326.40 | 71.47 | 85.03 | 5,338.62 |
| Depreciation for the year | - | 25.82 | 662.19 | 5,173.39 | 364.13 | 109.68 | 93.52 | 6,428.73 |
| Accumulated depreciation on disposal | - | - | 0.92 | 41.08 | - | 0.00 | 0.75 | 42.75 |
| Exchange difference on translation of foreign operations | - | - | - | 160.90 | 4.57 | - | - | 165.47 |
| **Balance as at 31 March 2018** | **-** | **51.58** | **1,215.91** | **9,568.53** | **695.10** | **181.15** | **177.80** | **11,890.07** |
| Depreciation for the year | - | 25.86 | 783.46 | 6,270.14 | 403.94 | 102.42 | 117.38 | 7,703.20 |
| Accumulated depreciation on disposal | - | - | 3.69 | 463.19 | 31.68 | 40.31 | 1.76 | 540.63 |
| Exchange difference on translation of foreign operations | - | - | - | (52.32) | (1.52) | - | - | (53.84) |
| **Balance as at 31 March 2019** | **-** | **77.44** | **1,995.68** | **15,323.16** | **1,065.84** | **243.26** | **293.42** | **18,998.80** |
| **Net carrying amount** | | | | | | | | |
| As at 31 March 2019 | 10,632.66 | 2,402.44 | 16,262.81 | 41,632.58 | 1,093.70 | 395.61 | 641.38 | 73,061.18 |
| As at 31 March 2018 | 10,468.28 | 2,428.30 | 14,578.50 | 36,831.56 | 1,038.56 | 423.35 | 493.26 | 66,261.81 |

1. **Freehold land**

   a. Land aggregating to ₹614.02 Lacs (31 March 2018: ₹596.70 Lacs) transferred to the Company pursuant to the scheme of amalgamation dated December 29, 2005 are pending for registration in the name of the Company.

   b. Land aggregating to ₹5,006.68 Lacs (31 March 2018: ₹5,006.68 Lacs) transferred to the Company pursuant to the scheme of amalgamation duly approved by Honourable High Court of Delhi, vide it's order dated May 2, 2013 are pending for registration in the name of the Company.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 4. Intangible assets

| Particulars | Computer software | Technical know-how | Goodwill* | Total |
|---|---|---|---|---|
| **Gross carrying value as at 1 April 2017** | 715.64 | 369.89 | 553.30 | 1,638.83 |
| Additions | 80.04 | 409.37 | - | 489.41 |
| Disposals | 169.09 | - | - | 169.09 |
| Exchange difference on translation of foreign operations | 10.49 | - | - | 10.49 |
| **Gross carrying value as at 31 March 2018** | **637.08** | **779.26** | **553.30** | **1,969.64** |
| Additions | 149.41 | 30.75 | - | 180.16 |
| Exchange difference on translation of foreign operations | (3.47) | - | - | (3.47) |
| **Gross carrying value as at 31 March 2019** | **783.02** | **810.01** | **553.30** | **2,146.33** |
| **Accumulated amortization** | | | | |
| Balance as at 1 April 2017 | 177.70 | 130.07 | - | 307.77 |
| Amortization for the year | 202.02 | 129.63 | - | 331.65 |
| Accumulated amortization on disposal | 169.09 | - | - | 169.09 |
| Exchange difference on translation of foreign operations | 3.71 | - | - | 3.71 |
| **Balance as at 31 March 2018** | **214.34** | **259.70** | **-** | **474.04** |
| Amortization for the year | 234.99 | 158.16 | - | 393.15 |
| Exchange difference on translation of foreign operations | (2.00) | - | - | (2.00) |
| **Balance as at 31 March 2019** | **447.33** | **417.86** | **-** | **865.19** |
| **Net carrying amount** | | | | |
| As at 31 March 2019 | 335.69 | 392.15 | 553.30 | 1,281.14 |
| As at 31 March 2018 | 422.74 | 519.56 | 553.30 | 1,495.60 |

* Impairment testing of goodwill

For the purposes of impairment testing, goodwill is allocated to the Cash Generating Unit (CGU) which represents the lowest level at which the goodwill is monitored for internal management reporting purposes.

The recoverable amount of the cash generating unit was based on its value in use. The value in use of this unit was determined to be higher than the carrying amount and an analysis of the calculation's sensitivity towards change in key assumptions did not identify any probable scenarios where the CGU recoverable amount would fall below their carry amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The calculation was based on the following key assumptions:

i. The anticipated annual revenue growth and margin included in the cash flow projections are based on past experience, actual operating results and the 5-year business plan in all periods presented.

ii. The terminal growth rate ranges from 2% to 3% representing management view on the future long-term growth rate.

iii. Discount rate ranging from 7% to 13% for all periods presented was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on past experience and companies average weighted average cost of capital.

The values assigned to the key assumptions represent the management's assessment of future trends in the industry and based on both internal and external sources.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 5. Equity accounted investees

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Investment in equity shares (unquoted)** | | |
| In joint ventures | | |
| 2 Lacs (31 March 2018: 2 Lacs) equity shares of ₹100 each fully paid-up in Indo Toolings Private Limited | 22.02 | - |
| 68.54 Lacs (31 March 2018: 68.54 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Han Sung Technologies Private Limited | 96.23 | 331.20 |
| 6.89 Lacs (31 March 2018: 6.89 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Ecco Green Energy Private Limited** | 148.51 | 172.84 |
| 58.08 Lacs (31 March 2018: 24.96 Lacs) equity shares of ₹10/- each fully paid-up in Jinyoung Sandhar Mechatronics Private Limited | 255.34 | 84.50 |
| 54.50 Lacs (31 March 2018: 4 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Amkin Industries Private Limited | 397.53 | 30.72 |
| 148.23 Lacs (31 March 2018: 40.56 Lacs) equity shares of ₹10/- each fully paid-up in Sandhar Daewha Automotive Systems Private Limited* | 1,305.45 | 387.55 |
| 0.107 Lacs (31 March 2018: NIL) equity shares of ₹10/- each fully paid-up in Sandhar Daeshin Auto Systems Private Limited | 0.60 | - |
| 4.96 Lacs (31 March 2018: NIL) equity shares of ₹10/- each fully paid-up in Sandhar Whetron Electronics Private Limited | 30.92 | - |
| **Total equity accounted investees** | **2,256.60** | **1,006.81** |
| **Less: Aggregate amount of impairment in the value of equity accounted investee** | | |
| **Investment in Joint Ventures**** | | |
| (i) In fully paid equity shares | (74.08) | - |
| **Total aggregate amount of impairment** | **(74.08)** | **-** |
| **Total equity accounted investees (net of impairment)** | **2,182.52** | **1,006.81** |

* On 28 March 2018, the Company remitted ₹81.17 Lacs to Sandhar Daewha Automotive Systems Private Limited for the purchase of 8.12 Lacs equity shares of ₹10/- each, fully paid up. The allotment of these equity shares was pending as at 31 March 2018. Subsequently these shares were alloted to the Company on 23 April 2018.

** During the year ended 31 March 2019, the Company noted an impairment trigger on account of proposed discontinuation of business in its joint venture company ('Sandhar Ecco Green Energy Private Limited'). Company performed an impairment assessment of its investment in equity shares of Sandhar Ecco Green Energy Private Limited to compute the fair value of its investment. Based on management's assessment, as the fair value of the investment is lower than the carrying amount of the investment, an impairment charge of ₹74.08 Lacs is recognized in the financial statements.

## 6. Financial assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Investments** | | |
| **A. Non - current Investments** | | |
| **Investments at cost** | | |
| **Investments at fair value through profit and loss** | | |
| **Investments in joint ventures** | | |
| **(i) Investments in preference shares (Unquoted)** | | |
| 3.32 Lacs (31 March 2018: 3.32 Lacs) preference shares of ₹100/- each fully paid-up in Indo Toolings Private Limited | 288.88 | 258.18 |
| 31.92 Lacs (31 March 2018: 31.92 Lacs) preference shares of ₹10/- each fully paid-up in Jinyoung Sandhar Mechatronics Private Limited | 319.28 | 319.28 |
| 23.43 Lacs (31 March 2018: 23.43) preference shares of ₹10/- each fully paid-up preference shares in Sandhar Han Sung Technologies Private Limited | 234.38 | 234.38 |
| **(ii) Non Trade investment (Unquoted)** | | |
| 0.2 Lacs (31 March 2018: 0.2 Lacs) shares of ₹10/- each fully paid-up in VNM Polymers Private Limited | 44.80 | 44.60 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 6. Financial assets (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(iii) Investment in unquoted mutual funds** | | |
| Franklin India Low Duration Fund 262,531.693 units (31 March 2018: 262,531.693 units) | 57.07 | 52.44 |
| Franklin India Ultra Short Bond Fund 872,911.426 units (31 March 2018: 872,911.426 units) | 229.30 | 209.96 |
| ABSL Cash Plus 190,124.642 units (31 March 2018: 112,864.379 units) | 568.48 | 314.03 |
| **Total investments** | **1,742.19** | **1,432.87** |
| **Aggregate value of unquoted investments** | **1,742.19** | **1,432.87** |
| **Current** | **854.85** | **576.43** |
| **Non-Current** | **887.34** | **856.44** |
| **B. Loans** | | |
| Security deposits - Non current | 1,081.16 | 929.57 |
| Security deposits - Current | 155.08 | 135.02 |
| Loans recoverable from related parties - Current | 30.00 | 5.19 |
| Loans to employees - Current | 25.86 | 30.30 |
| Other advances - Current | 1,426.16 | 973.91 |
| **Total loans** | **2,718.26** | **2,073.99** |
| Break up of total loans | | |
| (a) Unsecured, considered good; | 2,718.26 | 2,073.99 |
| | **2,718.26** | **2,073.99** |
| **Current** | 1,637.10 | 1,144.57 |
| **Non-current** | 1,081.16 | 929.42 |
| **C. Trade receivables** | | |
| (unsecured and considered good, unless otherwise stated) | | |
| Trade receivables* | 33,721.60 | 26,743.15 |
| **Total trade receivables** | **33,721.60** | **26,743.15** |
| * For explanations on the Company's credit risk management processes, refer to Note 36. | | |
| **D. Cash and cash equivalents** | | |
| Balances with banks: | | |
| – In current accounts | 136.60 | 25,488.54 |
| – Cheques on hand | 41.99 | - |
| Cash on hand | 18.79 | 10.47 |
| Deposits with original maturity for less than three months | 172.95 | - |
| **Total Cash and cash equivalents** | **370.33** | **25,499.01** |
| **E. Other Bank balances** | | |
| In current account for equity dividend | 0.19 | - |
| Deposits with original maturity for more than 3 months but less than 12 months | 105.74 | 101.69 |
| **Total other bank balances** | **105.93** | **101.69** |
| **F. Other financial assets** | | |
| Interest accrued but not due on fixed deposits | 9.35 | 3.47 |
| Unbilled revenue | 1,367.44 | 1,025.88 |
| **Total other financial assets** | **1,376.79** | **1,029.35** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 7. Inventories

(Valued at lower of cost and net realizable value)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Raw materials {includes goods in transit of ₹467.62 Lacs (31 March 2018: ₹22.25 Lacs)} | 9,869.39 | 9,087.20 |
| Work in progress | 4,589.50 | 4,576.74 |
| Finished goods {includes goods in transit of ₹609.22 Lacs (31 March 2018: ₹617.82 Lacs)} | 2,963.08 | 2,695.08 |
| Stores and spares | 4,589.35 | 4,285.19 |
| | **22,011.32** | **20,644.21** |
| Provision for inventory obsolescence | (75.04) | (76.21) |
| **Total inventories at the lower of cost and net realisable value** | **21,936.28** | **20,568.00** |

## 8. Other assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Other non - current assets** | | |
| **A. Capital advances** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Unsecured and considered good. | 731.46 | 1,307.95 |
| **Total capital advances** | **731.46** | **1,307.95** |
| **B. Income-tax asset** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Advance income-tax (net of provision for taxation) | 119.83 | 133.10 |
| **Total income-tax asset** | **119.83** | **133.10** |
| **Other current assets** | | |
| **C. Other advances** | | |
| Unsecured, considered good. | 815.35 | 343.52 |
| Doubtful | - | 23.99 |
| **Total other advances** | **815.35** | **367.51** |
| Less: Loss allowance | - | (23.99) |
| **Total net other advances** | **815.35** | **343.52** |
| **D. Prepaid expenses** | | |
| Prepaid expenses | 450.12 | 378.04 |
| | **450.12** | **378.04** |
| **E. Balance with statutory / government authorities** | | |
| (Unsecured and considered good, unless otherwise stated) | | |
| Unsecured, considered good | 1,704.00 | 2,781.33 |
| **Total balance with statutory / government authorities** | **1,704.00** | **2,781.33** |
| **Total other current assets (C+D+E)** | **2,969.47** | **3,502.89** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 9. Share Capital

### A. Authorised share capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| 680 lacs equity shares of ₹10 each (31 March 2018: 680 lacs equity shares of ₹10 each) | 6,800.00 | 6,800.00 |
| 2 lacs preference shares of ₹100 each (31 March 2018: 2 lacs preference shares of ₹100 each) | 200.00 | 200.00 |
| | **7,000.00** | **7,000.00** |

### B. Issued, subscribed and fully paid equity capital

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| 601.91 lacs equity shares of ₹10 each fully paid up (31 March 2018: 601.91 lacs equity shares of ₹10 each) | 6,019.07 | 6,019.07 |
| | **6,019.07** | **6,019.07** |

### C. Reconciliation of the equity share outstanding at beginning and at end of the year

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Number | ₹ in Lacs | Number | ₹ in Lacs |
| Equity shares outstanding at the beginning of the year | 601.91 | 6,019.07 | 511.55 | 5,115.46 |
| Issued during the year (refer note 9 F) | - | - | 90.36 | 903.61 |
| **Outstanding at the end of the year** | **601.91** | **6,019.07** | **601.91** | **6,019.07** |

**Rights, preferences and restrictions attached to equity shares**

The Company has one class of equity shares having par value of ₹10 per share (31 March 2018: ₹10 per share). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees.

On 27 May, 2019, the Board of Directors of the Company proposed a final dividend of ₹1.25 per share of face value ₹10 each in respect of the year ended 31 March, 2019. The dividend payout is subject to approval of shareholders at the Annual General Meeting. The company has paid an interim dividend of ₹1.25 per equity share of face value ₹10 each, which was declared on 5 November 2018.

In the event of liquidation of the Company, the share 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 share holders.

### D. Details of shareholders holding more than 5% shares in the Company

| Particulars | No. of shares in Lacs | % of shareholding |
|---|---|---|
| Jayant Davar* | 313.41 | 52.07% |

* 90,909 Equity Shares are held by Mr. Jayant Davar in his Capacity as proprietor of Sandhar Enterprises

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 9. Share Capital (Contd..)

**E. Aggregate number of bonus shares issued, share issued for consideration other than cash and share bought back during the period of five years immediately preceding the reporting date**

| Particulars | Number of shares | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| Equity shares allotted as fully paid bonus shares by capitalization of reserves | 2,046.18 | 2,046.18 |

**F. Other notes**

During the previous year ended 31 March 2018, 2,534,505 equity shares were sold by GTI Capital Beta Private Limited in a Pre - Initial Public Offer (IPO) sale on 13 March 2018.

Further, during the previous year ended 31 March 2018, the Company has completed the initial public offer (IPO), pursuant to which 15,436,144 equity shares of ₹10 each were allotted, at an issue price of ₹332, consisting of fresh issue of 9,036,144 equity shares and an offer for sale of 6,400,000 equity shares by GTI Capital Beta Private Limited.

The equity shares of the Company were listed on National Stock Exchange of India Limited (NSE) via ID SANDHAR and BSE Limited (BSE) via ID 541163 on 2 April 2018.

The IPO expenses amounting to ₹3,380.30 Lacs have been allocated between the company and selling shareholder in accordance with the applicable laws. The company's share of IPO expenses has been adjusted with securities premium account.

## 10. Other Equity

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Capital reserve** | | |
| At the beginning and end of the year | 3,190.97 | 3,190.97 |
| | **3,190.97** | **3,190.97** |
| **Securities Premium** | | |
| Balance at the beginning of the year | 27,922.42 | 311.36 |
| Add: Fresh issue of equity shares (refer note 9 F) | - | 29,096.38 |
| Less: Share issue expenses | (62.75) | (1,485.32) |
| **Balance at the end of the year** | **27,859.67** | **27,922.42** |
| **Retained earnings** | | |
| Balance at the beginning of the year | 26,111.15 | 21,460.24 |
| Add: Profit for the year | 9,517.54 | 6,501.59 |
| Less: Dividend on equity shares (Final) | - | (517.61) |
| Less: Dividend on equity shares (Interim) | (778.62) | (1,023.09) |
| Less: Tax on Dividend | (144.80) | (309.98) |
| **Balance at the end of the year** | **34,705.27** | **26,111.15** |
| **Other items of Other comprehensive income** | | |
| **a. Exchange differences on translation of foreign operations** | | |
| Balance at the beginning of the year | 330.91 | 229.34 |
| Exchange differences on translation | 100.30 | 135.41 |
| Income tax relating to Exchange differences on translation | (25.08) | (33.84) |
| **Balance at the end of the year** | **406.13** | **330.91** |
| **b. Remeasurements of defined benefit liability** | | |
| Balance at the beginning of the year | (150.12) | (95.01) |
| Re-measurement losses on defined benefit plans | (109.20) | (84.64) |
| Income tax relating to re-measurement loss on defined benefit plans | 37.51 | 29.53 |
| **Balance at the end of the year** | **(221.81)** | **(150.12)** |
| **Total of other equity** | **65,940.23** | **57,405.33** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 10. Other Equity (Contd..)

**Nature and purpose of other equity**

1. **Capital Reserve:**

   This represents Capital reserve created during the year ended 31 March 2013, consequent to the approval by the Hon'ble High Court of Delhi of the scheme of amalgamation of MAG Engineering Private Limited with the Company.

2. **Securities premium:**

   Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

3. **Re-measurements of defined benefit obligation:**

   Re-measurements of defined benefit obligation comprises actuarial gains and losses.

## 11. Non - controlling interest

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Sandhar Tooling Private Limited** | | |
| **Balance at the beginning of the year** | 282.81 | 222.48 |
| Share of profit for the year | 67.70 | 60.33 |
| **Balance at the end of the year** | **350.51** | **282.81** |
| **Revenue** | 1,644.87 | 1,548.35 |
| Profit | 343.72 | 298.00 |
| Other comprehensive income | (6.58) | 2.47 |
| **Total comprehensive income** | **337.14** | **300.47** |
| Profit allocated to non-controlling interest | 69.02 | 59.84 |
| Other comprehensive income allocated to non-controlling interest | (1.32) | 0.50 |
| **Total comprehensive income allocated to non-controlling interest** | **67.70** | **60.34** |
| Cash flows from operating activities | 95.57 | 89.78 |
| Cash flows used in investing activities | (58.48) | (92.31) |
| Cash flows used in financing activities | (14.65) | (14.50) |
| **Net increase/ (decrease) in cash and cash equivalents** | **22.44** | **(17.03)** |

## 12. Borrowings

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **A. Non-current borrowings** | | |
| **Term Loans** | | |
| Indian rupee loan from others (secured) (refer note E,F,H,I,J) | 59.43 | 100.25 |
| EUR Loan From BBVA (unsecured) (refer note K) | - | 42.38 |
| EUR Loan From B. Popular and La Caixa (Unsecured) (refer note M) | 26.09 | 154.19 |
| EUR Loan From B. Sabadell & ICF (Unsecured) (refer note N) | - | 81.23 |
| Lease financing loans from financial institutions (Secured) (refer note O) | 757.52 | 904.85 |
| **Total non-current borrowings** | **843.04** | **1,282.90** |
| Secured | 816.95 | 1,005.10 |
| Unsecured | 26.09 | 277.80 |
| **B. Current borrowings** | | |
| **a) Current maturity of long term borrowings** | | |
| Indian rupee loan from banks (secured) (refer note A,B,C,D,I,J) | 41.19 | 13,684.47 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 12. Borrowings (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Indian rupee loan from others (secured) (refer note E,F,H) | - | 6,837.25 |
| Indian rupee loan from others (unsecured) (refer note G) | - | 4,925.00 |
| EUR Loan From BBVA (unsecured) (refer note K) | 41.15 | 66.54 |
| EUR Loan from Bankia (unsecured) (refer note L) | - | 20.41 |
| EUR Loan From B. Popular and La Caixa (Unsecured) (refer note M) | 123.95 | 263.74 |
| EUR Loan From B. Sabadell & ICF (Unsecured) (refer note N) | 82.86 | 103.49 |
| Lease financing loans from financial institutions (Secured) (refer note O) | 402.96 | 374.32 |
| **Total Current maturity of long term borrowings** | **692.11** | 26,275.22 |
| **b) Cash credit from banks (secured)** | | |
| Cash credit/WCDL/Buyer's line of credit from banks (secured by CL, CGT or SBLC from STL or by invoices financed) | 25,945.84 | 20,799.75 |
| **Total current borrowings** | **26,637.95** | **47,074.97** |
| Less: Amount presented under "other financial liabilities" | (692.11) | (26,275.22) |
| **Total current borrowings** | **25,945.84** | **20,799.75** |
| Aggregate secured loans | 26,389.99 | 41,695.79 |
| Aggregate unsecured loans | 247.96 | 5,379.18 |

**Terms of borrowings:**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(A) IndusInd Bank Limited-** | - | 2,125.50 |
| a) Indian rupee loan of ₹ 250,000,000 carries interest @ 10.00% to 10.20%. The loan is repayable in 16 quarterly instalments of ₹ 15,625,000 from December, 2015. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹ 49,034,107 carries interest @ 10.00% to 11.20%. The loan is repayable in 11 quarterly instalments of ₹ 4,457,646 from June, 2016. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹ 162,800,000 carries interest @ 9.70%. The loan is repayable in 16 quarterly instalments of ₹ 10,175,000 from June, 2018. The loan has been fully repaid in April 2018. | | |
| **(B) Yes Bank Limited-** | - | 3,855.55 |
| a) Indian rupee loan of ₹ 150,000,000 carries interest @ 10.50% to 12.00% p.a. The loan is repayable in 16 quarterly instalments of ₹ 9,380,000 from November, 2014. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹ 85,000,000 carries interest @ 10.50% to 12.00% p.a. The loan is repayable in 16 quarterly instalments of ₹ 5,312,500 from November, 2015. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of₹ 150,000,000 carries interest @ 9.60% to 10.25% p.a. The loan is repayable in 20 quarterly instalments of ₹ 7,500,000 from December, 2017. The loan has been fully repaid in April 2018. | | |
| d) Indian rupee loan of ₹ 200,000,000 carries interest @ 8.60% to 10.25% p.a. The loan is repayable in 20 quarterly instalments of ₹ 7,500,000 to 11,500,000 from March, 2019. The loan has been fully repaid in April 2018. | | |
| **(C) ICICI Bank Limited-** | - | 562.50 |
| a) Indian rupee loan of ₹ 150,000,000 carries interest @ 10.50% to 12.25% p.a. The loan is repayable in 16 quarterly instalments of ₹ 9,375,000 from December, 2015. The loan has been fully repaid in April 2018. | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 12. Borrowings (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(D) HDFC Bank Limited-** | - | 5,001.76 |
| a) Indian rupee loan of ₹250,000,000 out of which ₹150,000,000 has been drawn in August 2015 carries interest @ 10.95% to 11.65% p.a. The loan is repayable in 16 quarterly instalments of ₹9,375,000 from October, 2016. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹6,693,750 has been drawn from balance ₹100,000,000 in March, 2016 which carries interest @ 10.95% to 11.25% p.a. The loan is repayable in 16 quarterly instalments of ₹418,359 from October, 2016. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹26,654,935 has been drawn from balance ₹100,000,000 which carries interest @ 10.95% to 11.25% p.a. The loan is repayable in 16 quarterly instalments of ₹1,665,933 from October, 2016. The loan has been fully repaid in April 2018. | | |
| d) Indian rupee loan of ₹50,078,761 has been drawn from balance ₹100,000,000 which carries interest @ 10.95% p.a. The loan is repayable in 15 quarterly instalments of ₹3,338,584 from Jan, 2017. The loan has been fully repaid in April 2018. | | |
| e) Indian rupee loan of ₹250,000,000 out of which ₹150,000,000 has been drawn in December 2016 carries interest @ 9.90% p.a. The loan is repayable in quarterly instalments of ₹6,000,000 from March, 2018. The loan has been fully repaid in April 2018. | | |
| f) Indian rupee loan of ₹250,000,000 out of which ₹100,000,000 has been drawn in January 2017 carries interest @ 9.50% p.a. The loan is repayable in quarterly instalments of ₹4,000,000 from March, 2018. The loan has been fully repaid in April 2018. | | |
| **(E) RBL Bank Limited-** | - | 2,000.00 |
| a) Indian rupee loan of ₹200,000,000 carries interest @ 9.25% to 9.85% p.a. The loan is repayable in 54 monthly instalments of ₹3,703,704 from August, 2018. The loan has been fully repaid in April 2018. | | |
| **(F) Tata Capital Financial Services Limited** | - | 1,937.50 |
| a) Indian rupee loan of ₹100,000,000 and ₹217,777,777 carries interest @ 10.50% to 12.25% p.a. The loan is repayable in 16 & 14 quarterly instalments of ₹6,250,000 and ₹15,555,556 from April, 2015 and January, 2014 respectively . The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹200,000,000 carries interest @ 10.50% p.a. The loan is repayable in 16 quarterly instalments of ₹12,500,000 from November, 2015. The loan has been fully repaid in April 2018. | | |
| c) Indian rupee loan of ₹150,000,000 carries interest @ 10.50% p.a. The loan is repayable in 16 quarterly instalments of ₹9,375,000 from December, 2016. The loan has been fully repaid in April 2018. | | |
| d) Indian rupee loan of ₹138,800,000 carries interest @ 10.50% p.a. The loan is repayable in 12 monthly instalments of ₹11,566,667 from June, 2016. The loan has been fully repaid in April 2018. Security Clause First & Exclusive Charge over the Immovable property being land and building belonging to the Borrower having clear and marketable title deeds as acceptable to TCFSL-Plot No16, Village Begumpur, Roorkee Tehsil, Haridwar, Plot No13, Sector 5, Phase II,Industrial Estate IMT Bawal, Haryana and Plot No14, Sector 5, Phase II, Industrial Estate IMT Bawal, Haryana.Subservient Charge on entire current assets of the borrower both present and future. | | |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 12. Borrowings (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **(G) Hero FinCorp Limited-** | - | 4,925.00 |
| a) Indian Rupee Loan for ₹450,000,000 carries interest @ 10.50% p.a. The loan is repayable in 20 Quarterly instalment of ₹22,500,000 from January, 2016 & February, 2016. The loan has been fully repaid in April 2018. | | |
| b) Indian rupee loan of ₹350,000,000 carries interest @ 10.50% p.a. The loan is repayable in 20 quarterly instalments of ₹17,500,000 from November, 2016. The above loans carries a negative lien. The loan has been fully repaid in April 2018. | | |
| **(H) Citicorp Finance India Limited-** | - | 5,000.00 |
| a) Indian Rupee Loan for ₹500,000,000 carries interest @ 8.15% p.a. The loan is repayable in bullet payment after 5 years and it will be roll over on yearly basis. The loan has been fully repaid in April 2018. | | |
| **(I)** Vehicle loan are from banks are secured by hypothecation of the financed vehicle. | 94.36 | 127.08 |
| **(J)** Vehicle loan from others secured by hypothecation of the financed vehicle. | 6.26 | 12.08 |
| **(K) EUR loan from BBVA and Santander** (Corporate guarantee from Parent Company), carries interest @ 2.65% to 4.37% p.a.<br>**BBVA:-** EUR loan of 210,000 repayable in monthly instalment of EUR 3,500 from December 2011. It has ben fully repaid in December 2016.<br>**BBVA:-** EUR loan of 200,000 repayable in monthly instalment of EUR 3,728 from October 2014.<br>**Santender:-** EUR loan of 200,000 repayable in monthly instalment of EUR 3,390 from October 2014. | 41.15 | 108.92 |
| **(L) EUR loan of 200,000 from Bankia** (Comfort letter from Parent Company),carries interest @ 2.3% p.a, repayable in monthly instalment of EUR 8,534 (including interest expenses) from July 2016. | - | 20.41 |
| **(M) La Caixa:** EUR loan of 300,000 repayable in monthly instalment of EUR 6,572 from October 2015. Carries interest @ 2.04%.<br>EUR loan of 300,000 from B. Popular (Corporate guarantee from STL), carries interest @ 2.75% p.a., repayable in monthly instalment of EUR 8,695 from January 2016.<br>EUR loan of 300,000 from B. Popular (Comfort letter from Parent Company), carries interest @ 3% p.a., repayable in monthly instalment of EUR 8,724 from September 2016.<br>EUR loan of 230,000 from B. Popular (Corporate guarantee from Parent Company), carries interest @ 3.7% p.a., repayable in monthly instalment of EUR 6,759 from Seprember 2017. | 150.04 | 417.92 |
| **(N) EUR loan from B.Sabadell & ICF, B Sabadell:**-EUR loan of 250,000 repayable in monthly instalment of EUR 5,714 from December 2015, carries interest 4%. (Comfort letter from Parent Company)<br>ICF:-EUR loan of 250,000 repayable in monthly instalment of Eur 5,757 from December 2015, carries interest @ 5% (Comfort letter from Parent Company)" | 82.86 | 184.73 |
| **(O) Lease financing loans from financial institutions** (Some of which with Comfort letter from Parent Company), carries interest @ 1.75% to 6.00%, monthly instalment ranging from Eur 76 to EUR 7,474. (Secured) | 1,160.48 | 1,279.17 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 13. Trade payables

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Trade payables of micro enterprises and small enterprises | 1,387.97 | 2,069.36 |
| Trade payables other than micro enterprises and small enterprises | 34,093.54 | 32,736.47 |
| **Total trade payables** | **35,481.51** | **34,805.83** |

**Terms and conditions of the above financial liabilities:**

For explanations on the Company's credit risk management processes, refer to Note 36.

## 14. Other financial liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Financial liabilities at amortised cost | | |
| Payables for capital goods - current | 2,792.97 | 3,804.07 |
| Payables for capital goods - non current | 597.65 | 1,008.09 |
| Interest accrued but not due | 0.60 | 38.08 |
| Interest accrued and due on borrowings | 15.50 | 84.34 |
| Unpaid equity dividend | 0.19 | - |
| Current maturity of long term borrowings (refer note 12) | 692.11 | 26,275.22 |
| Security deposit payable | 75.92 | 44.92 |
| Provision for Interest -MSMEDA | 70.41 | 199.33 |
| Finance lease obligation - non current | 3.95 | 3.76 |
| Finance lease obligation - current | 0.29 | 0.28 |
| Advance from customers | 1,432.48 | 939.62 |
| **Total financial liabilities at amortised cost** | **5,682.07** | **32,397.71** |
| **Current** | **5,080.47** | **31,385.86** |
| **Non-current** | **601.60** | **1,011.85** |

## 15. Other current liabilities

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Other payables: | | |
| Statutory dues | 1,954.51 | 1,500.11 |
| Other Payable | 495.02 | 374.20 |
| **Total** | **2,449.53** | **1,874.31** |

## 16. Provisions

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 30) | 413.49 | 377.14 |
| Provision for leave benefits | 882.09 | 770.27 |
| **Other provisions** | | |
| Provision for income tax (net of tax paid) | 364.55 | 1,393.52 |
| Provision for warranties* | 85.59 | 78.34 |
| **Total** | **1,745.72** | **2,619.27** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 16. Provisions (Contd..)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Current** | **1,650.29** | **2,549.63** |
| **Non-current** | **95.43** | **69.64** |
| ***Provision for warranties** | | |
| At the beginning of the year | 78.34 | 100.12 |
| Accrued during the year | 63.87 | 58.59 |
| Utilized during the year | (56.62) | (80.37) |
| At the end of the year | 85.59 | 78.34 |

Provision is recognized for expected warranty claims on products sold during the last two to five years, based on past experience of level of repairs and returns. It is expected that the most of this cost will be incurred in the next financial year. Assumption used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two to five year warranty period for all products sold.

## 17. Deferred tax liabilities (net)

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| **Items leading to creation of deferred tax assets** | | |
| -Post-employment benefits | 448.66 | 395.22 |
| -Provision for doubtful debt & advances | 65.00 | 203.00 |
| -Employee benefits | 331.00 | 271.00 |
| -Fair value measurement | - | 8.00 |
| **Total deferred tax assets** | **844.66** | **877.22** |
| **Items leading to creation of deferred tax liabilities** | | |
| -Property, plant and equipment: Impact of difference between tax and depreciation/ amortization charged for the financial reporting | 2,382.75 | 1,767.87 |
| -Fair value measurement and Mark to market | 157.38 | 114.82 |
| **Total deferred tax liabilities** | **2,540.13** | **1,882.69** |
| **Deferred tax assets/(liabilities)** | **(1,695.47)** | **(1,005.47)** |
| MAT Credit entitlement | - | 49.68 |
| **Net deferred tax assets/(liabilities)** | **(1,695.47)** | **(955.79)** |

## 18. Revenue from operations

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Sale of products (including excise duty)** | 2,27,591.87 | 1,94,022.15 |
| **Sale of services** | 2,966.03 | 2,475.11 |
| **Other operating revenue** | | |
| Scrap sale | 3,024.49 | 1,914.72 |
| **Revenue from operations** | **2,33,582.39** | **1,98,411.98** |
| Less: Excise Duty# | - | 3,776.90 |
| **Revenue from operations (net)** | **2,33,582.39** | **1,94,635.08** |

#Revenue from operations, computed in accordance with Ind AS 115 'Revenue from contracts with customers', for the current year is not comparable with previous year since the same is net of Goods and Service Tax (GST) whereas excise duty form part of expenses in previous year and current year (untill 30 June 2017). The comparative revenue from operations of the Company is given below:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 18. Revenue from operations

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Revenue from operations (as reported) | 2,33,582.39 | 1,98,411.98 |
| Less: Excise duty on sales | - | 3,776.90 |
| Revenue from operations (net of excise duty) | 2,33,582.39 | 1,94,635.08 |

## 19. Other income

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Other non-operating income** | | |
| Profit on sale of short term investment | 21.35 | - |
| Profit on sale of property, plant and equipment | 34.92 | 1.55 |
| Foreign exchange fluctuation gain (net) | - | 42.98 |
| Government grant | - | 3.00 |
| Interest from bank | 13.39 | 16.10 |
| Interest from others | 109.24 | 57.52 |
| Interest income on securities measured at amortised cost | 11.06 | 10.64 |
| Gain on investments carried at fair value through profit or loss | 32.23 | 59.73 |
| Liabilities no longer required written back | 164.57 | 30.94 |
| Other miscellaneous income | 250.26 | 251.71 |
| | **637.02** | **474.17** |

## 20. Cost of raw material and components consumed

**Raw material and components consumed**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Inventory at the beginning of the year | 9,087.20 | 7,004.58 |
| Add: Purchases during the year | 1,39,445.82 | 1,16,954.07 |
| | **1,48,533.02** | **1,23,958.65** |
| Less: Inventory at the end of the year | **9,869.38** | **9,087.20** |
| Cost of raw material and components consumed | **1,38,663.64** | **1,14,871.45** |
| Adjustment on account of exchange difference | (3.04) | 30.64 |
| Net cost of raw material and components consumed | **1,38,660.60** | **1,14,902.09** |

## 21. Changes in inventories of finished goods and work-in-progress

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Closing inventories | | |
| Finished goods | 2,963.08 | 2,695.08 |
| Work in progress | 4,589.50 | 4,576.74 |
| Adjustment on account of exchange difference | 172.34 | (233.71) |
| **Total (A)** | **7,724.92** | **7,038.11** |
| Opening inventories | | |
| Finished goods | 2,695.08 | 2,517.90 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 21. Changes in inventories of finished goods and work-in-progress (Contd..)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Work in progress | 4,576.74 | 2,973.28 |
| Adjustment on account of exchange difference | 81.73 | 271.71 |
| **Total (B)** | **7,353.55** | **5,762.89** |
| **Changes in inventories of finished goods and work-in-progress** | **(371.37)** | **(1,275.22)** |

## 22. Employee benefit expenses

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Salaries, wages and bonus | 26,864.92 | 23,482.67 |
| Contribution to provident and other funds | 2,343.03 | 1,259.44 |
| Staff welfare expenses | 1,687.78 | 1,439.65 |
| Gratuity expense (refer note 30) | 273.37 | 297.46 |
| | **31,169.10** | **26,479.22** |

## 23. Depreciation and amortization expense

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Depreciation on property, plant and equipment | 7,703.20 | 6,428.74 |
| Amortisation on intangible assets | 393.15 | 331.65 |
| | **8,096.35** | **6,760.39** |
| Less: Depreciation on plant and machinery capitalized during the year | 8.23 | 8.29 |
| | **8,088.12** | **6,752.10** |

## 24. Other expenses

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Consumption of stores and spares | 8,478.07 | 7,889.02 |
| Packing material | 2,714.11 | 2,419.01 |
| Job work charges | 6,236.62 | 4,947.49 |
| Rent | 1,528.14 | 1,370.59 |
| Rates and taxes | 175.55 | 101.19 |
| Insurance | 245.39 | 218.14 |
| Freight and forwarding charges | 2,448.91 | 2,117.57 |
| Power and fuel | 8,495.83 | 6,596.38 |
| Repairs and maintenance | | |
| - Buildings | 190.08 | 215.75 |
| - Plant and machinery | 2,026.56 | 1,808.29 |
| - Others | 1,082.11 | 1,053.59 |
| Legal and professional charges | 1,114.84 | 935.60 |
| Travelling and conveyance | 532.67 | 437.30 |
| Payment to auditor* | 84.78 | 72.12 |
| CSR expenditure** | 196.83 | 86.93 |
| Security Charges | 8.61 | 7.79 |
| Service contractor charges | 25.44 | 16.46 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 24. Other expenses (Contd..)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Business and Sales promotion | 8.62 | 3.79 |
| Printing and Stationery | 1.18 | 1.20 |
| Provision for doubtful debts and advances | 20.66 | 1.60 |
| Bad debts and advances written off | 0.02 | 1.47 |
| Loss on sale of property, plant and equipment | - | 28.56 |
| Loss on sale of investment | - | 4.41 |
| Provision for warranties (net of reversal) | 63.87 | 58.59 |
| Royalty | 355.11 | 438.82 |
| Commission to directors | 679.60 | 456.83 |
| Provision for Diminution in the value of Inventory | - | 7.24 |
| Directors sitting fee | 25.35 | 31.04 |
| Security Service Charges | 539.29 | 490.38 |
| Testing and development expenses | 114.06 | 127.64 |
| Festival and celebration expenses | 62.81 | 101.65 |
| MTM loss on derivative liability | - | 26.55 |
| Foreign exchange fluctuation loss (net) | 167.78 | 401.34 |
| Miscellaneous expenses | 1,353.96 | 1,225.54 |
| **Total other expenses** | **38,976.85** | **33,699.87** |

*** Payment to auditors :**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **As auditor:** | | |
| - Audit fee | 67.51 | 64.71 |
| - Limited Review | 11.67 | - |
| **In other capacity** | | |
| - Other services (certification fees) | 1.58 | 2.43 |
| - Reimbursement of expenses | 4.02 | 4.98 |
| **Total** | **84.78** | **72.12** |

During the previous year ended 31 March 2018, fees for other services amounting to ₹32 lacs (pertains to IPO related services forming part of share issue expenses which have been adjusted against premium received on issue of equity shares by the Company).

****Disclosure relating to CSR expenditure:**

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) Gross Amount required to be spent by the Company as per Section 135 of the Act | 129.11 | 83.58 |
| (b) Amount spent during the year on: | | |
| (i) Construction/acquisition of any asset | - | - |
| (ii) On purposes other than (i) above | | |
| - In cash | 196.83 | 86.93 |
| - Yet to be paid in cash | - | - |
| | **196.83** | **86.93** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 25. Finance costs

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Interest to banks on** | | |
| - Term loan | 86.26 | 1,318.88 |
| - Cash credit | 718.11 | 518.99 |
| - Others | 848.52 | 616.55 |
| Interest to others | 264.03 | 1,345.49 |
| Finance charges | 311.00 | 354.40 |
| Bank charges | 166.22 | 149.32 |
| Finance charge under finance lease obligation | 0.48 | 0.46 |
| Amortisation of processing fees on term loan | - | 13.34 |
| **Total finance costs** | **2,394.62** | **4,317.43** |

## 26. Exceptional Items

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Impairment loss on investment in join venture (refer note 6) | 74.08 | - |
| **Total Exceptional Items** | **74.08** | **-** |

## 27. Components of other comprehensive income

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

**During the year ended 31 March 2019:**

| Particulars | Retained earnings | Total |
|---|---|---|
| Re-measurement losses on defined benefit plans | (109.20) | (109.20) |
| Tax impact on re-measurement loss on defined benefit plans | 37.51 | 37.51 |
| Exchange differences in translating the financial statements of foreign operations | 100.30 | 100.30 |
| Tax impact on translating the financial statements of foreign operations | (25.08) | (25.08) |
| | **3.53** | **3.53** |

**During the year ended 31 March 2018:**

| Particulars | Retained earnings | Total |
|---|---|---|
| Re-measurement losses on defined benefit plans | (84.64) | (84.64) |
| Tax impact on re-measurement loss on defined benefit plans | 29.53 | 29.53 |
| Exchange differences in translating the financial statements of foreign operations | 135.41 | 135.41 |
| Tax impact on translating the financial statements of foreign operations | (33.85) | (33.85) |
| | **46.45** | **46.45** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 28. Earnings Per Share (EPS)

Basic and Diluted EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Profit attributable to equity holders of the Company | 9,585.24 | 6,561.93 |
| Weighted average number of equity shares used for computing Earning per Share (Basic and Diluted) (Number of shares in Lacs) | 601.91 | 512.78 |
| **Earning Per Share (Basic and Diluted) (₹)** | **15.92** | **12.80** |
| Face value per share (₹) | 10 | 10 |

**Reconciliation of weighted average number of equity shares for calculation of Basic and Diluted earnings per share:**

| Particulars | Number of equity shares | Weighted average number of shares |
|---|---|---|
| **Equity shares of face value of ₹10 per share:** | | |
| **Balance as at 1 April 2017** | 511.55 | 511.55 |
| Issued during the year 2017-18 (Number of shares in lacs) | 90.36 | 90.36 |
| **Balance as at 31 March 2018** | **601.91** | **601.91** |
| Issued during the year 2018-19 (Number of shares in lacs) | - | - |
| **Balance as at 31 March 2019** | **601.91** | **601.91** |

At present, the Group does not have any dilutive potential equity shares

## 29. Income Tax

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (a) The major components of income tax expense for the years ended 31 March 2019 and 31 March 2018 are: | | |
| **Income tax recognized in statement of profit or loss** | | |
| **Current income tax:** | | |
| Current tax | 4,206.86 | 3,090.69 |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | 749.37 | 49.52 |
| **Income tax expense reported in the statement of profit or loss** | **4,956.23** | **3,140.21** |
| **Income tax recognized in other comprehensive income** | | |
| Deferred tax related to items recognised in OCI during the year: | | |
| Net loss on remeasurements of defined benefit plans | 37.51 | 29.53 |
| Exchange differences in translating the financial statements of foreign operations | (25.08) | (33.85) |
| **Income tax charged to other comprehensive income** | **12.43** | **(4.32)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 29. Income Tax (Contd..)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| (b) Reconciliation of effective tax rate | | |
| Reconciliation between average effective tax rate and applicable tax rate for the year ended 31 March 2019 and 31 March 2018: | | |
| **Profit for the year** | 14,541.47 | 9,702.14 |
| Add: Share in loss of joint ventures accounted for using equity method | 685.94 | 531.62 |
| Profit for the year for computation of income tax | **15,227.41** | **10,233.76** |
| Statutory tax rate | 34.944% | 34.608% |
| **Income tax expense at the statutory rate** | **5,321.07** | **3,541.70** |
| Tax impact of deductible/ non-deductible expenses | | |
| - Effect of Income tax exemption at Haridwar Unit U/S 80 IC | (365.82) | (309.31) |
| - Effect of Income tax exemption U/S 35 (2AB) | (140.06) | (161.23) |
| - Effect of CSR expenses | 68.78 | 30.09 |
| - Effect of Interest paid to MSMED | 11.95 | 6.73 |
| - Effect of impairment loss on investment in join venture | 51.74 | - |
| - Effect of expenses disallowed U/S 14 A | 14.33 | 7.27 |
| - Effect of difference in tax rate of Sandhar Tooling Private Limited | (33.41) | (28.59) |
| - Effect of difference in tax rate of Sandhar Technologies Barcelona, S.L. | (51.17) | (6.15) |
| - Effect of interest U/S 234 | 36.85 | 110.34 |
| - Others | 41.97 | (50.64) |
| **Income tax expense after adjustment of tax impact of non deductible items** | **4,956.23** | **3,140.21** |

## 30. Gratuity and other post-employment benefit plans

### A. Defined Contribution Plans - General Description

The Group has a defined benefit gratuity plan for its employees, governed by the Payment of Gratuity Act, 1972. Every employee who has rendered at least five years of continuous service gets a gratuity on departure at the rate of fifteen days of last drawn salary for each completed year of service or part thereof in excess of 6 months. The scheme is funded with insurance companies in the form of qualifying insurance policies. Gratuity benefits are valued in accordance with the Payment of Gratuity Act, 1972.

The most recent actuarial valuation of present value of the defined benefit obligation for gratuity were carried out as at 31 March 2019. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

#### I. Reconciliation of the present value of defined benefit obligation and the fair value of the plan assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Liability for gratuity | 2,252.69 | 1,957.05 |
| Plan asset for gratuity | 1,839.20 | 1,579.91 |
| **Net defined benefit liability (Current):** | **(413.49)** | **(377.14)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 30. Gratuity and other post-employment benefit plans (Contd..)

### A. Defined Contribution Plans - General Description (Contd..)

#### II. Reconciliation of present value of defined benefit obligation:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 1,957.07 | 1,649.27 |
| Current service cost | 243.68 | 217.78 |
| Interest cost | 154.35 | 123.71 |
| Benefits paid | (107.71) | (101.19) |
| Past service cost including curtailment (gains)/losses | - | 60.77 |
| Actuarial (gain) / loss on obligation recognised in other comprehensive income | 5.33 | 6.73 |
| **Balance at the end of the year** | **2,252.72** | **1,957.07** |

#### III. Reconciliation of fair value of plan assets:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Balance at the beginning of the year | 1,579.91 | 1,399.05 |
| Actual return on plan asset | 124.65 | 104.79 |
| Contribution paid into the plan | 225.00 | 176.00 |
| Benefits paid | (101.42) | (87.33) |
| Actuarial (gain) / loss on plan asset recognised in other comprehensive income | 11.05 | (12.60) |
| **Closing fair value of plan asset** | **1,839.19** | **1,579.91** |

#### IV. Expense recognised in the Statement of Profit and Loss under employee benefits expense:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Current service cost | 243.67 | 275.78 |
| Past service cost | - | 2.76 |
| Interest cost | 29.70 | 18.92 |
| **Expense recognised in the Statement of Profit and Loss** | **273.37** | **297.46** |

#### V. Remeasurement recognised in other comprehensive income (OCI)

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Actuarial gain / (loss) on Defined Benefit Obligation | 12.91 | (13.54) |
| Return on Plan Assets excluding interest income | 11.05 | (12.60) |
| **Amount recognised in the Other Comprehensive Income** | **23.96** | **(26.14)** |

#### VI. Bifurcation of Acturial gain/(loss) on Defined benefit obligation:

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Actuarial gain/(loss) due to financial assumption change | (29.86) | 79.86 |
| Actuarial gain/(loss) due to experience adjustment | 42.77 | (93.40) |
| **Amount recognised in the Other Comprehensive Income** | **12.91** | **(13.54)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 30. Gratuity and other post-employment benefit plans (Contd..)

### A. Defined Contribution Plans - General Description (Contd..)

The principal assumptions used in determining gratuity and compensated absences are as follows:

#### (a) Economic assumptions

The principal assumptions are the discount rate and salary growth rate. The discount rate is based upon the market yields available on government bonds at the accounting date with a term that matches that of liabilities. Salary increase rate takes into account of inflation, seniority, promotion and other relevant factors on long term basis. Valuation assumptions are as follows which have been selected by the company.

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Discount rate | 7.75% p.a. | 7.89%-7.96% p.a. |
| Inflation rate | 8.00% p.a. | 8.00% p.a. |
| Expected rate of return on assets | 8.00% p.a. | 8.00% p.a. |

#### (b) Demographic assumptions

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Mortality table | IALM (2006-08) | IALM (2006-08) |
| Retirement Age | 58 years | 58 years |
| **Attrition Rate** | | |
| Up to 30 years | 10%-12% p.a. | 10%-12% p.a. |
| From 31 to 44 years | 3%-12% p.a. | 3%-12% p.a. |
| Above 44 years | 1% p.a. | 1% p.a. |

The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the year and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant.

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.5% movement) | (113.53) | 123.26 | (100.00) | 108.58 |
| Expected rate of future salary increase (0.5% movement) | 113.28 | (106.29) | 99.83 | (93.69) |

Sensitivities due to mortality and withdrawals are not material and hence impact of change not calculated.

Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable being a lump sum benefit on retirement.

Gratuity expense expected to be incurred in the next year is ₹306.90 Lacs (previous year ₹279.14 Lacs).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 30. Gratuity and other post-employment benefit plans (Contd..)

**A. Defined Contribution Plans - General Description (Contd..)**

Expected maturity analysis:

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Less than 1 year | 104.67 | 64.31 |
| 1-2 years | 48.66 | 43.01 |
| 2-5 years | 162.79 | 192.99 |
| More than 5 years | 1,975.22 | 1,689.69 |

Other long-term employee benefits:

During the year ended 31 March 2019, the Company has incurred an expense on compensated absences amounting to ₹224.37 lacs (previous year ₹197.03 lacs). The Company determines the expense for compensated absences basis the actuarial valuation of present value of the obligation, using the Projected Unit Credit Method.

## 31. Contingent liabilities and commitments (to the extent not provided for)

**A. Capital commitments**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for | 2,356.22 | 2,463.41 |

The Company has purchased a land at Pune wherein the Company shall commence the construction on the land and commence production within three years from the date of sub lease deed.

**B. Contingent liabilities**

Claims against the Group not acknowledged as debts*:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **a. Claims against the Company not acknowledged as debts*** | | |
| - Service tax matters (refer note A below) | 300.00 | 317.54 |
| - Income tax matters (refer note B below) | 126.33 | 117.67 |
| - Demand notice against Land (Chakan & Pathredi) (refer note C below) | 837.52 | 837.52 |
| - Other matters | 38.37 | 36.97 |
| **b. Guarantees given by the Company (refer note D below)** | 279.93 | 364.43 |

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

**Note A:**

i) Show cause notice received in respect of credit taken on freight outward for the period 2005-2006 and 2016-2017. The reply has been submitted and personal hearing is awaited with Assistant Commissioner, Central Excise. The amount involved is ₹1.18 (31 March 2018: ₹9.93).

ii) Show cause notice received in respect of credit taken on manpower supply for the period 2005-2006 to 2014-15 (up to Feb-15). The matter is pending for personal hearing with the Additional Commissioner, Commissioner, and Joint Commissioner, Central Excise. The amount involved is ₹261.07 (31 March 2018: ₹261.07).

iii) Show cause notice received in respect of credit taken on the Services on Commercial and Industrial construction work for the period 2006-2007 and 2008-09 to 2010-11. The matter is pending with Additional Commissioner, Central Excise and CESTAT, Chandigarh. The amount involved is ₹2.11 (31 March 2018: ₹10.35).

iv) Show cause notices received in respect of credit taken on outdoor catering & courier services for the period 2005-2006 to 2011-12. The matter is pending with the Superintendent and Deputy Commissioner, Central excise. The amount involved is ₹0.50 (31 March 2018: ₹1.05).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 31. Contingent liabilities and commitments (to the extent not provided for)

### B. Contingent liabilities

v) Show cause notices received in respect of credit taken on various services such clearing and forwarding agency services, Construction and industrial Construction, repair & maintenance, travel agent, pandal, authorized service station & outward freight, for the period 2004-05 to 2016-17 (up to Mar-2017). The personal hearing attended & final order awaited from Assistant Commissioner, LTU New Delhi. The amount involved is ₹35.14 (31 March 2018: ₹35.14).

**Note B:**

i) In respect of Assessment Year 2010-11, demand was raised on account of TDS benefit not given by the Assessing Authority. The rectification letter for the same been filed and the matter is pending with Assistant Commissioner of Income Tax for rectification. The amount involved is ₹7.60 (31 March 2018: ₹7.60).

ii) In respect of Assessment Year 2010-11, Commissioner of Income Tax (Appeal), LTU ordered for the calculation of the liability for disallowances under section 14-A and referred the case to Assessing officer which is pending with the said authority. The amount involved is ₹5.10 (31 March 2018: ₹5.10).

iii) In respect of Assessment Year 2011-12 & 2012-13 demand was raised due to disallowance of certain expenses and also certain penalty proceedings on the above issue. The matter is pending with Commissioner of Income Tax (Appeal), LTU and appeal is partly allowed by authority. Further appeal has been filed with ITAT. The amount involved is ₹24.61 (31 March 2018: ₹24.61).

iv) In respect of Assessment Year 2011-12, demand was raised due to short payment of TDS under section 201 (1A). The matter is pending with Commissioner of Income Tax (Appeal), LTU. The amount involved is ₹12.69 (31 March 2018: ₹12.69).

v) In respect of assessment year 2013-14, demand was issued against expenses disallowed under section 35(2AB) for which deduction under Chapter-VIA was claimed. The appeal has been filed with CIT (A)-LTU-Saket. The amount involved is ₹64.54 (31 March 2018: ₹64.54)

vi) In respect of assessment year 2014-15, demand was issued against expenses disallowed under section 35(2AB) for which deduction under Chapter-VIA was claimed. The appeal has been filed with ITAT. The amount involved is ₹3.12 (31 March 2018: ₹3.12)

vii) In respect of assessment year 2015-16 demand was issued against expenses disallowed under section 35(2AB), 14A. The appeal has been filed with CIT (A) LTU. The amount involved is ₹4.06 (31 March 2018: ₹ NIL).

viii) In respect of assessment year 2016-17 demand was issued against expenses disallowed under section 35(2AB), 14A. The appeal has been filed with CIT (A) LTU. The amount involved is ₹1.48 (31 March 2018: ₹ NIL).

ix) In respect of assessment year 2014-15 demand was issued for penalty proceeding. The appeal has been filed with CIT (A) LTU. The amount involved is ₹3.12 (31 March 2018: ₹ NIL).

**Note C:**

i) In respect of Pathredi Land, Rajasthan State Industrial Development and Investment Corporation has issued a letter dated October 23, 2015 whereby demand of ₹761.04 has been raised for allowing a time extension for making additional investment in the project on land allotted to the Company (31 March 2018: ₹761.04). The Company has filed a request letter to waive off the same.

ii) In respect of Chakan Land, Maharashtra Industrial Development Corporation has issued a letter dated March 3, 2015, asking Company to pay an additional amount aggregating to ₹76.48 for a further time extension (31 March 2018: ₹76.48). The Company is in process to file the waiver letter to Maharashtra Industrial Development Corporation.

Based on the status of cases and as advised by Company's tax/legal advisors, wherever applicable, the management believes that the Company has strong chance of success and hence no provision against matters disclosed in “Claims against the Company not acknowledged as debts” are considered necessary.

**Note D:**

In relation to 32(2) above guarantee given by the Company:

To facilitate grant of financing facilities to the Company’s Joint Ventures and Subsidiaries, Company has given Corporate Guarantees to banks. As at the year-end, the outstanding Corporate Guarantee/Stand by-Letter of Credits so given amounts to ₹279.93 (31 March 2018: ₹364.43).

**Note E:**

Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicable of the judgement and period from which the same applies. The Company has estimated the impact of the same from 1 March 2019 to 31 March 2019 based on a prospective approach and has recognized the same in the financial statements.

Owing to the aforesaid uncertainty and pending clarification from the authority in this regard, the Company has not recognised any provision for the previous years. Further management also believes that the impact of the same on the Company will not be material.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

### A. Name of Related Party and Relationship

| | |
|---|---|
| **Enterprises under common control** | • Sanjeevni Impex Private Limited<br>• Sandhar Intelli-Glass Solutions Limited<br>• Sandhar Info Systems Limited<br>• Sandhar Estate Private Limited<br>• YSG Estates Private Limited<br>• Sandhar Enterprises<br>• KDB Investment Private Limited<br>• Jubin Finance and Investment Limited<br>• Raasaa Retail Private Limited<br>• Haridwar Estates Private Limited<br>• Supanavi Trading Private Limited |
| **Joint Ventures** | • Indo Toolings Private Limited<br>• Sandhar Han Sung Technologies Private Limited<br>• Sandhar Ecco Green Energy Private Limited<br>• Jinyoung Sandhar Mechatronics Private Limited<br>• Sandhar Amkin Industries Private Limited<br>• Sandhar Daewha Automotive Systems Private Limited<br>• Sandhar Daeshin Auto Systems Private Limited (w.e.f. 3rd May 2018)<br>• Sandhar Whetron Electronics Private Limited (w.e.f. 19th July 2018)<br>• Kwangsung Sandhar Technologies Private Limited (w.e.f. 6th February 2019) |
| **Individual owning an interest in the voting power of reporting enterprise that gives them significant influence over the Company** | • Mr. Jayant Davar |
| **Key Managerial Personnel** | • Mr. Jayant Davar (Co-Chairman-and-Managing Director)<br>• Mr. Arvind Joshi (Whole time Director, C.F.O. & Company Secretary) |
| **Relatives of Key Managerial Personnel and relatives of Individual owning an interest in the voting power of reporting enterprise that gives them significant influence over the Company** | • Mr. D. N. Davar (Chairman)<br>• Mrs. Monica Davar<br>• Mr. Neel Jay Davar<br>• Mrs. Santosh Davar<br>• Mrs. Poonam Juneja<br>• Mrs. Urmila Joshi |
| **Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence** | • Swaran Enterprises (Mrs. Santosh Davar is a Partner)<br>• Shorah Realty LLP |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Related Party Transactions (Contd..)

**B. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.**

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Purchase of Goods** | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 2,881.07 | 2,392.93 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 70.22 | 11.04 |
| | Sandhar Ecco Green Energy Pvt. Ltd. | Joint Venture of Reporting Enterprises | 0.80 | - |
| **Sale of goods** | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 10.19 | 1.97 |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 1.26 | - |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 88.82 | - |
| | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 1.32 | 0.24 |
| **Sale of PPE** | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 2.36 | - |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 118.20 | - |
| **Purchase of PPE** | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | - | 14.07 |
| | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | 11.39 | 157.36 |
| | Indo Tooling Private Limited | Joint Venture of Reporting Enterprises | 145.14 | - |
| **Reimbursement of expenses from** | Sandhar Hang Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 85.21 | 19.18 |
| | Sandhar Infosystems Limited | Enterprises under Common control with the Reporting Enterprises | 0.01 | 0.01 |
| | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | - | 0.07 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 6.55 | 3.46 |
| | Sandhar Daewha Automotives Systems Pvt Ltd | Joint Venture of Reporting Enterprises | 35.78 | 21.66 |
| | Sandhar Amkin Industries Pvt Limited | Joint Venture of Reporting Enterprises | 51.14 | 10.73 |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 0.77 | - |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 17.71 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 5.17 | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Related Party Transactions (Contd..)

**B. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. (Contd..)**

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| **Lease rentals (including GST/ Service Tax) paid to** | Sandhar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 30.47 | 29.59 |
| | Jubin Finance and Investment Limited | Enterprises under Common control with the Reporting Enterprises | 268.36 | 266.65 |
| | Urmila Joshi | Key Managerial Personnel & their relatives | 8.63 | 8.63 |
| | Jayant Davar | Key Managerial Personnel & their relatives | 6.00 | 6.00 |
| | Shorah Realty LLP | Key Managerial Personnel & their relatives | 0.71 | 0.45 |
| **Lease rentals (including GST/ Service Tax) received from** | Sandhar Ecco Green Energy Private Limited | Joint Venture of Reporting Enterprises | - | 1.16 |
| | Sandhar Hang Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 14.82 | 10.55 |
| | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 0.28 | - |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 7.04 | - |
| **Service Given** | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 13.18 | - |
| **Interest Received** | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 0.55 | - |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 0.10 | - |
| **Managerial remuneration** | Jayant Davar | Key Managerial Personnel & their relatives | 730.31 | 547.22 |
| | Arvind Joshi | Key Managerial Personnel & their relatives | 198.28 | 157.53 |
| **Dividend paid** | Jayant Davar | Key Managerial Personnel & their relatives | 390.47 | 936.47 |
| | Others | Enterprises under Common control with the Reporting Enterprises | 64.23 | 154.14 |
| | Others | Key Managerial Personnel & their relatives | 73.33 | 176.00 |
| **Investment made in JV's and subsidiaries** | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | - | 374.26 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 331.10 | 567.98 |
| | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1076.63 | 405.68 |
| | Sandhar Amkin Industries Pvt Ltd | Joint Venture of Reporting Enterprises | 505.00 | 40.00 |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 1.00 | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Related Party Transactions (Contd..)

**B. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year. (Contd..)**

| Nature of transaction | Name of related party | Relationship | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|---|
| Investment made in JV's and subsidiaries | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 49.58 | - |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 1.07 | - |
| Loan & Advances Given to | Sandhar Daewha Automotive Systems Private Limited | Joint Venture of Reporting Enterprises | 75.00 | - |
| | Sandhar Amkin Industries Private Limited | Joint Venture of Reporting Enterprises | 30.00 | - |
| Paid for Land | Haridwar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 31.27 | - |

### Balances Outstanding

| Nature of Balances outstanding | Name of related party | Relationship | Balance as at 31 March 2019 | Balance as at 31 March 2018 |
|---|---|---|---|---|
| Outstanding Receivable | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 36.85 | 33.58 |
| | Haridwar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 130.77 | 99.50 |
| | Sandhar Ecco Energy Private Limited | Joint Venture of Reporting Enterprises | - | 0.09 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 3.76 | 1.29 |
| | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1.53 | 0.05 |
| | Sandhar Amkin Industries Pvt Ltd | Joint Venture of Reporting Enterprises | 123.51 | 0.21 |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 10.31 | - |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 0.77 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 5.17 | - |
| Outstanding Payable | Swaran Enterprises | Enterprises over which relatives of Key Managerial Personnel are able to exercise significant influence | 295.57 | 311.20 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | - | 0.34 |
| | Sandhar Ecco Energy Private Limited | Joint Venture of Reporting Enterprises | - | 1.54 |
| | Shorah Realty LLP | Key Managerial Personnel & their relatives | 0.12 | - |
| | Indo Toolings Private Limited | Joint Venture of Reporting Enterprises | 12.30 | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 32. Related Party Transactions (Contd..)

### Balances Outstanding (Contd..)

| Nature of Balances outstanding | Name of related party | Relationship | Balance as at 31 March 2019 | Balance as at 31 March 2018 |
|---|---|---|---|---|
| **Outstanding Payable** | Urmila Joshi | Key Managerial Personnel & their relatives | 0.72 | - |
| **Security deposit given to** | Sandhar Estates Private Limited | Enterprises under Common control with the Reporting Enterprises | 36.00 | 36.00 |
| | Jubin Finance and Investment Limited | Enterprises under Common control with the Reporting Enterprises | 98.88 | 98.88 |
| **Managerial Remuneration Payable** | Jayant Davar | Key Managerial Personnel & their relatives | 598.29 | 415.20 |
| | Arvind Joshi | Key Managerial Personnel & their relatives | 87.87 | 63.00 |
| **Investment in JV's** | Indo Toolings Private Limited | Joint Venture of Reporting Enterprises | 352.50 | 352.50 |
| | Sandhar Han Sung Technologies Private Limited | Joint Venture of Reporting Enterprises | 919.85 | 919.85 |
| | Sandhar Ecco Green Energy Private Limited* | Joint Venture of Reporting Enterprises | 222.48 | 222.48 |
| | Jinyoung Sandhar Mechatronics Private Limited | Joint Venture of Reporting Enterprises | 900.07 | 568.97 |
| | Sandhar Daewha Automotives System Pvt Ltd | Joint Venture of Reporting Enterprises | 1,482.31 | 405.68 |
| | Sandhar Amkin Industries Private Ltd | Joint Venture of Reporting Enterprises | 545.00 | 40.00 |
| | Sandhar Daeshin Auto Systems Private Limited | Joint Venture of Reporting Enterprises | 1.07 | - |
| | Sandhar Whetron Electronics Private Limited | Joint Venture of Reporting Enterprises | 49.58 | - |
| | Kwangsung Sandhar Technologies Private Limited | Joint Venture of Reporting Enterprises | 1.00 | - |

*During the year ended 31 March 2019, the Company noted an impairment trigger on account of proposed discontinuation of business in its joint venture company ('Sandhar Ecco Green Energy Private Limited'). Company performed an impairment assessment of its investment in equity shares of Sandhar Ecco Green Energy Private Limited to compute the fair value of its investment. Based on management's assessment, as the fair value of the investment is lower than the carrying amount of the investment, an impairment charge of ₹74.08 Lacs is recognized in the financial statements. Thus the carrying value of the investment is ₹74.43 Lacs as at 31 March 2019.

### C. Terms and conditions of transactions with related parties

All transactions with these related parties are priced on arm's length basis and resulting outstanding balances at the year-end are unsecured and interest free and are to be settled in cash. The Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 33. Finance lease obligations

| Particulars | As at 31 March 2019 | | | As at 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Future Minimum lease payment | Interest element of MLP | Present value of MLP | Future Minimum lease payment | Interest element of MLP | Present value of MLP |
| Within one year | 0.29 | 0.14 | 0.15 | 0.28 | 0.12 | 0.16 |
| After one year but not more than five years | 1.33 | 0.82 | 0.51 | 1.26 | 0.72 | 0.54 |
| More than five years | 345.85 | 344.19 | 1.76 | 346.21 | 344.33 | 1.88 |
| **Total** | **347.47** | **345.15** | **2.42** | **347.75** | **345.17** | **2.58** |

## 34. Financial Instruments- Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

| Particulars | Carrying value | | Fair value | |
|---|---|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 | As at 31 March 2019 | As at 31 March 2018 |
| **Financial assets** | | | | |
| **A. FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.80 | 44.60 | 44.80 | 44.60 |
| Investment in Unquoted Mutual Funds | 854.86 | 576.43 | 854.86 | 576.43 |
| **B. Amortised Cost:** | | | | |
| Security deposit | 1,236.24 | 1,064.59 | 1,236.24 | 1,064.59 |
| Loans recoverable from related parties | 30.00 | 5.19 | 30.00 | 5.19 |
| Loans to employees | 25.86 | 30.30 | 25.86 | 30.30 |
| Other advances | 1,426.16 | 973.91 | 1,426.16 | 973.91 |
| **Total** | **2,718.26** | **2,073.99** | **2,718.26** | **2,073.99** |
| **Financial liabilities** | | | | |
| **A. Amortised Cost:** | | | | |
| **Borrowings** | | | | |
| Loans | 27,480.99 | 48,357.87 | 27,480.99 | 48,357.87 |
| Finance Lease Obligations | 4.24 | 4.04 | 4.24 | 4.04 |
| **Total** | **27,485.23** | **48,361.91** | **27,485.23** | **48,361.91** |

The management assessed that the fair values of short term financial assets and liabilities significantly approximate their carrying amounts largely due to the short-term maturities of these instruments. Accordingly, management has not disclosed fair values for financial instruments such as trade receivables, trade payables, cash and cash equivalents, other current assets, interest accrued on fixed deposits, other current liabilities etc.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**The following methods and assumptions were used to estimate the fair values:**

Long-term fixed-rate and variable-rate Receivables/Borrowings are evaluated by the company based on parameters such as interest Rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

The fair value of unquoted instruments, is calculated by arriving at intrinsic value of the investee. The fair value of loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 34. Financial Instruments- Fair Values (Contd..)

**Discount rates used in determining fair value:**

The interest rates used to discount estimated future cash flows, where applicable, are based on the discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

The Company maintains policies and procedures to value financial assets or financial liabilities using the best and most relevant data available. In addition, the Company internally reviews valuation, including independent price validation for certain instruments.

## 35. Fair Values hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial statements that are

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into three levels prescribed under the accounting standard.

All financial instruments for which fair value is recognised or disclosed are categorized with in the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company has an established control framework with respect to the measurements of fair values. This includes a valuation team and has overall responsibility for overseeing all significant fair value measurements and reports directly to the Chief Finance Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Company's audit committee.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

**A. Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2019:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measured at FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.80 | - | - | 44.80 |
| Investment in Unquoted Mutual Funds | 854.86 | | | 854.86 |
| **Assets measured at amortised cost for which fair values are disclosed (refer note 34):** | | | | |
| Security deposit | 1,236.24 | - | - | 1,236.24 |
| Loans recoverable from related parties | 30.00 | - | - | 30.00 |
| Loans to employees | 25.86 | - | - | 25.86 |
| Other advances | 1,426.16 | - | - | 1,426.16 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 35. Fair Values hierarchy (Contd..)

**A. Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2019: (Contd..)**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Liabilities measured at amortised cost for which fair values are disclosed (refer note 34):** | | | | |
| Loans | 27,480.99 | - | - | 27,480.99 |
| Finance Lease Obligations | 4.24 | - | - | 4.24 |

There have been no transfers between Level 1 and Level 2 during the period.

**B. Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2018:**

| Particulars | Total | Fair value measurement using | | |
|---|---|---|---|---|
| | | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **Assets measured at FVTPL:** | | | | |
| Investment in Unquoted Equity Shares | 44.60 | - | - | 44.60 |
| Investment in Unquoted Mutual Funds | 576.43 | | | 576.43 |
| **Assets measured at amortised cost for which fair values are disclosed (refer note 34):** | | | | |
| Security deposit | 1,064.59 | - | - | 1,064.59 |
| Loans recoverable from related parties | 5.19 | - | - | 5.19 |
| Loans to employees | 30.30 | - | - | 30.30 |
| Other advances | 973.91 | - | - | 973.91 |
| **Liabilities measured at amortised cost for which fair values are disclosed (refer note 34):** | | | | |
| Loans | 48,357.87 | - | - | 48,357.87 |
| Finance Lease Obligations | 4.04 | - | - | 4.04 |

There have been no transfers between Level 1 and Level 2 during the period.

## 36. Financial risk management objectives and policies

The Company is primarily engaged in the manufacturing and assembling of automotive components such as lock-set, mirrors and various sheet metal components including cabins for two wheelers, four wheelers and off road vehicle industry. The Company's principal financial liabilities, comprises loans and borrowings, trade and other payables and finance lease obligation. The main purpose of these financial liabilities is to support the Company's operations. The Company's principal financial assets include investments in equity, employee advances, trade and other receivables, security deposits, cash and short-term deposits that derive directly from its operations. The Company also enters into derivative transactions viz. CCIRS and Principal Swaps.

The Company has exposure to the following risks arising from financial instruments

- Market risk (see (b));
- Credit risk (see (c)); and
- Liquidity risk (see (d)).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements.

### a) Risk Management Framework

The Company's activities make it susceptible to various risks. The company has taken adequate measures to address such concerns by developing adequate systems and practices. The Company's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on the Company's financial performance.

The Company's senior management oversee the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Company. The board provides assurance to the shareholders that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of hedge accounting in the financial statements

| Risk | Exposure arising from | Measurement | Management of risk |
|---|---|---|---|
| Credit Risk | Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost. | Ageing analysis, Credit ratings | Diversification of bank deposits, credit limits and letter of credit. |
| Liquidity Risk | Borrowings and liabilities | Cash flow forecasting,Sensitivity analysis | Availability of borrowing facilities. |
| Market risk - foreign currency risk | Future commercial transactions, Recognised financial liabilities not denominates in Indian Rupee (INR) | Cash flow forecasting, Sensitivity analysis | Cross currency principal interest swaps |
| Market risk – interest rate risk | Long-term borrowings at variable rates | Sensitivity analysis | |

### b) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises following types of risk: interest rate risk, currency risk, price risk, and commodity risk. Financial instruments affected by market risk include loans and borrowings, investment, deposits, advances and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2019 and 31 March 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of floating to fixed interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant in place at 31 March 2019.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions.

The following assumptions have been made in calculating the sensitivity analysis:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

**b) Market Risk (Contd..)**

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.

**c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with fixed interest rates.

The Company enters Cross Currency Interest Rate Swaps to manage its Forex and interest rate risk, in which it agrees to exchange, at specified intervals, the difference between floating and fixed rate interest amounts calculated by reference to an agreed-upon notional principal amount.

### Exposure to interest rate risk

The interest rate profile of the Company's interest bearing financial instruments as reported to management is as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Financial Liabilities** | | |
| **Fixed rate instruments** | | |
| - Vehicle Loan | 100.62 | 139.16 |
| **Variable rate instruments** | | |
| - Term Loans | 1,434.53 | 27,418.96 |
| - Cash credit from bank | 25,945.84 | 20,799.75 |
| **Financial Assets** | | |
| **Fixed rate instruments** | | |
| - Fixed Deposits | 278.69 | 101.69 |
| - Loans | 2,718.26 | 2,073.99 |

The Company does not account for fixed rate financial assets or financial liabilities at fair value through profit or loss, and the company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### Interest Rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| Risk | Increase / decrease in basic points | Profit or loss | Profit or loss (net of tax) |
|---|---|---|---|
| **31-Mar-19** | | | |
| Secured term loan from banks | 100 | 12.61 | 8.75 |
| Cash credit from bank | 100 | 259.46 | 179.98 |
| Other borrowings | 100 | 2.74 | 1.90 |
| Secured term loan | (100) | (12.61) | (8.75) |
| Cash credit from bank | (100) | (259.46) | (179.98) |
| Other borrowings | (100) | (2.74) | (1.90) |
| **31-Mar-18** | | | |
| Secured term loan | 100 | 217.62 | 150.96 |
| Cash credit from bank | 100 | 207.99 | 144.29 |
| Other borrowings | 100 | 56.57 | 39.24 |
| Secured term loan | (100) | (217.62) | (150.96) |
| Cash credit from bank | (100) | (207.99) | (144.29) |
| Other borrowings | (100) | (56.57) | (39.24) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and borrowings in foreign currency (ECB borrowings).

The Company manages its foreign currency risk by entering into derivatives. When a derivative is entered into for the purpose of hedging, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure.

Details of unhedged foreign currency exposures:

| Particulars | As at 31 March 2019 | | As at 31 March 2018 | |
|---|---|---|---|---|
| | Amount In Foreign Currency | Amount in ₹ | Amount In Foreign Currency | Amount in ₹ |
| Trade Payables (USD) | 10.34 | 717.15 | 70.44 | 4,582.05 |
| Trade Payables (JPY) | 1,825.48 | 1,142.06 | 2,444.39 | 1,490.29 |
| Trade Payables (GBP) | 0.07 | 6.37 | 0.22 | 19.73 |
| Trade Payables (EUR) | 5.70 | 444.03 | 12.17 | 974.71 |
| Trade Receivables (USD) | 3.17 | 218.98 | 10.51 | 683.68 |
| Trade Receivables (MXN) | 12.89 | 46.10 | - | - |

The following significant exchange rates were applied at the year end:

| Particulars | Year end rates | |
|---|---|---|
| | As at 31 March 2019 | As at 31 March 2018 |
| INR/ JPY | 0.6256 | 0.6097 |
| INR/ USD | 69.3267 | 65.0462 |
| INR/ GBP | 90.4756 | 91.7050 |
| INR/ EUR | 77.8477 | 80.1022 |
| INR/ MXN | 3.5759 | - |

### Sensitivity Analysis

Any changes in the exchange rate of foreign currency against INR is not expected to have significant impact on the Company's profit due to the short credit period. Accordingly, a 1% appreciation/depreciation of the INR as indicated below, against the USD would have increased/reduced profit by the amounts shown below. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variable remains constant.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure JPY | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/JPY Increases by 1 % | Import Trade payables | 0.6256 | 0.0063 | 1,825.48 | (11.42) | (7.71) |
| | INR/JPY Decreases by 1 % | | 0.6256 | (0.0063) | 1,825.48 | 11.42 | 7.71 |
| As at 31 March 2018 | INR/JPY Increases by 1 % | | 0.6097 | 0.0061 | 2,444.39 | (14.90) | (10.34) |
| | INR/JPY Decreases by 1 % | | 0.6097 | (0.0061) | 2,444.39 | 14.90 | 10.34 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure USD | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/USD Increases by 1 % | Import Trade payables | 69.3267 | 0.6933 | 10.34 | (7.17) | (4.84) |
| | INR/USD Decreases by 1 % | | 69.3267 | (0.6933) | 10.34 | 7.17 | 4.84 |
| As at 31 March 2018 | INR/USD Increases by 1 % | | 65.0462 | 0.6505 | 70.44 | (45.82) | (31.79) |
| | INR/USD Decreases by 1 % | | 65.0462 | (0.6505) | 70.44 | 45.82 | 31.79 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure GBP | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/GBP Increases by 1 % | Import Trade payables | 90.4756 | 0.9048 | 0.07 | (0.06) | (0.04) |
| | INR/GBP Decreases by 1 % | | 90.4756 | (0.9048) | 0.07 | 0.06 | 0.04 |
| As at 31 March 2018 | INR/GBP Increases by 1 % | | 91.7050 | 0.9171 | 0.22 | (0.20) | (0.14) |
| | INR/GBP Decreases by 1 % | | 91.7050 | (0.9171) | 0.22 | 0.20 | 0.14 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure EUR | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/EUR Increases by 1 % | Import Trade payables | 77.8477 | 0.7785 | 5.70 | (4.44) | (3.00) |
| | INR/EUR Decreases by 1 % | | 77.8477 | (0.7785) | 5.70 | 4.44 | 3.00 |
| As at 31 March 2018 | INR/EUR Increases by 1 % | | 80.1022 | 0.8010 | 12.17 | (9.75) | (6.76) |
| | INR/EUR Decreases by 1 % | | 80.1022 | (0.8010) | 12.17 | 9.75 | 6.76 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure USD | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/USD Increases by 1 % | Export Trade Receivable | 69.3267 | 0.6933 | 3.17 | (2.19) | (1.48) |
| | INR/USD Decreases by 1 % | | 69.3267 | (0.6933) | 3.17 | 2.19 | 1.48 |
| As at 31 March 2018 | INR/USD Increases by 1 % | | 65.0462 | 0.6505 | 10.51 | (6.84) | (4.74) |
| | INR/USD Decreases by 1 % | | 65.0462 | (0.6505) | 10.51 | 6.84 | 4.74 |

| Particulars | Change in currency rate | Nature of Exposure | Year end rates | Changes in rates | Net exposure MXN | Effect on profit before tax(INR) | Effect on profit after tax (INR) |
|---|---|---|---|---|---|---|---|
| As at 31 March 2019 | INR/MXN Increases by 1 % | Export Trade Receivable | 3.5759 | 0.0358 | 12.89 | (0.46) | (0.31) |
| | INR/MXN Decreases by 1 % | | 3.5759 | (0.0358) | 12.89 | 0.46 | 0.31 |
| As at 31 March 2018 | INR/MXN Increases by 1 % | | - | - | - | - | - |
| | INR/MXN Decreases by 1 % | | - | - | - | - | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

### Equity price risk

The Company's listed & non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), including foreign exchange transactions and other financial instruments.

### Trade receivables

Ind AS requires expected credit losses to be measured through a loss allowance. The Company assesses at each date of statements of financial position whether a financial asset or a company of financial assets is impaired. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

Company's exposure to customers is diversified and some customer contributes more than 10% of outstanding accounts receivable as of 31 March 2019 and 31 March 2018, however there was no default on account of those customers in the past.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits to customer. Limits and scoring attributed to customers are reviewed on periodic basis.

The Company performs credit assessment for customers on an annual basis and recognizes credit risk, on the basis lifetime expected losses and where receivables are due for more than six months.

### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

**(a) Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)**

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Loans | 1,637.10 | 1,144.57 |
| Other financial assets | 1,376.79 | 1,029.35 |
| **Total** | **3,013.89** | **2,173.92** |

**(b) The ageing analysis of trade receivables for which loss allowance is measured using Life time Expected Credit Losses as of the reporting date is as follows:**

| Particulars | As at 31 March 2019 | 0- 6 Month | 6 – 12 month | More than 12 months |
|---|---|---|---|---|
| Gross Carrying Amount | 33,906.94 | 33,459.87 | 190.31 | 256.76 |
| Expected credit loss (Loss allowance provision) | 185.34 | - | - | 185.34 |
| Carrying amount of trade receivables | 33,721.60 | 33,459.87 | 190.31 | 71.42 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

**(b) The ageing analysis of trade receivables for which loss allowance is measured using Life time Expected Credit Losses as of the reporting date is as follows: (Contd..)**

| Particulars | As at 31 March 2018 | 0- 6 Month | 6 – 12 month | More than 12 months |
|---|---|---|---|---|
| Gross Carrying Amount | 26,910.49 | 26,664.21 | 71.52 | 174.76 |
| Expected credit loss (Loss allowance provision) | 167.34 | - | - | 167.34 |
| Carrying amount of trade receivables | 26,743.15 | 26,664.21 | 71.52 | 7.42 |

### Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Corporate finance department in accordance with the Company's policy. Investments of surplus funds are made only in schemes of alternate investment fund/or other appropriate avenues including term and recurring deposits with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company places its cash and cash equivalents and term deposits with banks with high investment grade ratings, limits the amount of credit exposure with any one bank and conducts ongoing evaluation of the credit worthiness of the banks with which it does business. Given the high credit ratings of these banks, the Company does not expect these banks to fail in meeting their obligations. The maximum exposure to credit risk for the components of the balance sheet at 31 March 2019 and 31 March 2018 is represented by the carrying amount of each financial asset.

### d) Liquidity risk

Liquidity risk refers to the risk that the company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

| Particulars | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying value as at 31 March 2019 | 0- 1 year | 1- 5 year | More than 5 year |
| Trade Payable | 35,481.51 | 35,479.84 | 1.67 | - |
| Borrowings | 27,480.99 | 26,637.95 | 843.04 | - |
| Other financial liabilities | 4,989.96 | 4,388.36 | 601.60 | - |
| **Total** | **67,952.46** | **66,506.15** | **1,446.31** | **-** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 36. Financial risk management objectives and policies (Contd..)

**d) Liquidity risk**

| Particulars | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying value as at 31 March 2018 | 0- 1 year | 1- 5 year | More than 5 year |
| Trade Payable | 34,805.83 | 34,805.83 | - | - |
| Borrowings | 48,357.87 | 47,074.97 | 1,282.90 | - |
| Other financial liabilities | 6,122.50 | 5,110.64 | 1,011.85 | - |
| **Total** | **89,286.20** | **86,991.44** | **2,294.75** | **-** |

## 37. Capital management

**The Company's capital management objectives are:**

The Board 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 employed, as well as the level of dividends to equity shareholders.

The Company manages capital risk by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.

The Company uses debt ratio as a capital management index and calculates the ratio as Net debt divided by total equity. Net debt and total equity are based on the amounts stated in the financial statements.

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Net Debt (A)* | 26,149.88 | 22,180.74 |
| Equity (B) | 72,309.81 | 63,707.21 |
| **Debt Ratio (A/B)** | **0.36** | **0.35** |

* Net debt includes Non-Current borrowing, Current borrowing, Current maturities of non-current borrowing net off Current investment and cash, cash equivalent and other bank balance.

## 38. Segment Reporting

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company is in the business of manufacture and sale of automobile components, which in the context of Indian Accounting Standard 108 'Segment Information' represents single reportable business segment. The accounting policies of the reportable segments are the same as the accounting policies disclosed in Note 2. The revenues, total expenses and net profit as per the Statement of Profit and Loss represents the revenue, total expenses and the net profit of the sole reportable segment.

**Geographical information**

The Group's revenue from operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

Revenue from Operations

| Particulars | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Revenue from external customers** | | |
| India | 205,236.63 | 173,643.22 |
| Europe | 28,345.76 | 24,768.76 |
| **Total** | **233,582.39** | **198,411.98** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 38. Segment Reporting (Contd..)

### Non-current Assets

| Particulars | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| India | 67,220.75 | 64,034.02 |
| Europe | 15,863.25 | 15,146.49 |
| **Total** | **83,084.00** | **79,180.51** |

### Major customer

Revenue from transactions of the Company with some of its OEM customers exceed 10 per cent or more of the Company's total revenue

## 39. Interest in Joint venture

The Group has a 50% interest in Sandhar Hang Sung Technologies Private Limited., Sandhar Eco Green Energy Private Limited, Sandhar Amkin Industries Private Limited, Jinyoung Sandhar Mechatronics Private Limited, Indo Toolings Private Limited, Sandhar Daewha Automotive Systems Private Limited, Sandhar Daeshin Auto Systems Private Limited, Sandhar Whetron Electronics Private Limited and Kwangsung Sandhar Technologies Private Limited, joint venture entities are involved in manufacturing of the group's main automotive products in India.

The Group's interest in Sandhar Hang Sung Technologies Private Limited., Sandhar Ecco Green Energy Private Limited, Sandhar Amkin Industries Private Limited, Jinyoung Sandhar Mechatronics Private Limited, Indo Toolings Private Limited, Sandhar Daewha Automotive Systems Private Limited, Sandhar Daeshin Auto Systems Private Limited, Sandhar Whetron Electronics Private Limited and Kwangsung Sandhar Technologies Private Limited is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the joint venture, based on its Ind AS financial statements, and reconciliation with the carrying amount of investment in consolidated financial statements are set out below :

**Sandhar Ecco Green Energy Private Limited.**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 150.76 | 186.96 |
| Non-Current assets | 15.73 | 42.36 |
| Current Liabilities | 1.94 | 16.12 |
| Equity | 164.55 | 213.20 |
| Proportion of the group's ownership | 82.28 | 106.60 |

### Summarised Statement of profit & loss of Sandhar Ecco Green Energy Private Limited:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 20.65 | 638.09 |
| Other incomes | 11.58 | 11.51 |
| Cost of Raw Material & Component Consumed | 39.64 | 540.20 |
| Employee Benefits Expense | - | 88.03 |
| Depreciation and Amortization Expense | 4.25 | 5.01 |
| Other Expenses | 13.40 | 77.29 |
| Profit Before Tax | (25.06) | (60.93) |
| Income tax expense | 23.60 | (13.09) |
| Profit for the year (continuing operations) | (48.66) | (47.84) |
| Other comprehensive income for the year, net of tax | - | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 39. Interest in Joint venture (Contd..)

**Sandhar Ecco Green Energy Private Limited. (Contd..)**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Total Comprehensive income for the year (continuing operations) | (48.66) | (47.84) |
| Group's share of profit for the year | (24.33) | (23.92) |

**Sandhar Han Sung Technologies Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 827.02 | 662.36 |
| Non-Current assets | 1,878.37 | 1,462.77 |
| Current Liabilities | 1,146.19 | 907.90 |
| Non-current liabilities | 898.23 | 86.33 |
| Equity | 660.96 | 1,130.90 |
| Proportion of the group's ownership | 330.48 | 565.45 |

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 1,469.57 | 605.12 |
| Other incomes | 10.79 | 1.98 |
| Cost of Raw Material & Component Consumed | 750.72 | 349.10 |
| Employee Benefits Expense | 513.89 | 188.12 |
| Finance Costs | 87.77 | 5.01 |
| Depreciation and Amortization Expense | 132.29 | 64.82 |
| Other Expenses | 456.52 | 286.05 |
| Profit Before Tax | (460.82) | (286.00) |
| Income tax expense | - | 120.92 |
| Profit for the year (continuing operations) | (460.82) | (406.93) |
| Other comprehensive income for the year, net of tax | (9.12) | 0.87 |
| Total Comprehensive income for the year (continuing operations) | (469.94) | (406.05) |
| Group's share of profit for the year | (234.97) | (203.03) |

**Indo Toolings Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 2,667.98 | 1322.36 |
| Non-Current assets | 778.63 | 673.72 |
| Current Liabilities | 2,462.95 | 1,201.11 |
| Non-current liabilities | 939.33 | 856.15 |
| Equity | 44.33 | (61.18) |
| Proportion of the group's ownership | 22.16 | (30.59) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 39. Interest in Joint venture (Contd..)

**Indo Toolings Private Limited (Contd..)**

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 3,984.49 | 2,209.02 |
| Other incomes | 69.11 | 57.23 |
| Cost of Raw Material & Component Consumed | 1,537.09 | 922.74 |
| Employee Benefits Expense | 661.92 | 559.82 |
| Finance Costs | 103.12 | 98.09 |
| Depreciation and Amortization Expense | 18.20 | 15.80 |
| Other Expenses | 1,581.69 | 894.37 |
| Profit Before Tax | 151.59 | (224.59) |
| Income tax expense | 45.60 | 0.67 |
| Profit for the year (continuing operations) | 105.98 | (225.24) |
| Other comprehensive income for the year, net of tax | (0.47) | 1.12 |
| Total Comprehensive income for the year (continuing operations) | 105.51 | (224.12) |
| Group's share of profit for the year | 52.76 | (112.06) |

**Sandhar Amkin Industries Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 1,007.71 | 151.41 |
| Non-Current assets | 1,327.73 | 73.18 |
| Current Liabilities | 734.39 | 13.15 |
| Non-current liabilities | 805.99 | - |
| Equity | 795.06 | 211.44 |
| Proportion of the group's ownership | 397.53 | 105.72 |

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 47.70 | - |
| Other incomes | 4.14 | 0.22 |
| Cost of Raw Material & Component Consumed | 69.04 | - |
| Employee Benefits Expense | 150.70 | 8.37 |
| Finance Costs | 23.54 | 0.01 |
| Depreciation and Amortization Expense | 66.89 | - |
| Other Expenses | 251.27 | 16.84 |
| Profit Before Tax | (371.52) | (25.00) |
| Income tax expense | (95.14) | (6.44) |
| Profit for the year (continuing operations) | (276.38) | (18.56) |
| Other comprehensive income for the year, net of tax | - | - |
| Total Comprehensive income for the year (continuing operations) | (276.38) | (18.56) |
| Group's share of profit for the year | (138.19) | (9.28) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 39. Interest in Joint venture (Contd..)

**Jinyoung Sandhar Mechatronics Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 1,494.59 | 730.41 |
| Non-Current assets | 3,716.82 | 775.94 |
| Current Liabilities | 1,260.54 | 677.60 |
| Non-current liabilities | 2,801.64 | 21.22 |
| Equity | 1,149.23 | 807.53 |
| Proportion of the group's ownership | 574.62 | 403.77 |

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 1,966.11 | 763.75 |
| Other incomes | 90.69 | 3.42 |
| Cost of Raw Material & Component Consumed | 1,678.57 | 826.69 |
| Employee Benefits Expense | 450.24 | 126.96 |
| Finance Costs | 0.83 | 0.28 |
| Depreciation and Amortization Expense | 40.11 | 17.93 |
| Other Expenses | 209.38 | 125.71 |
| Profit Before Tax | (322.32) | (330.41) |
| Profit for the year (continuing operations) | (322.32) | (330.41) |
| Other comprehensive income for the year, net of tax | 1.81 | - |
| Total Comprehensive income for the year (continuing operations) | (320.51) | (330.41) |
| Group's share of profit for the year | (160.26) | (165.20) |

**Sandhar Daewha Automotive Systems Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 462.23 | 281.76 |
| Non-Current assets | 2,283.67 | 526.01 |
| Current Liabilities | 86.04 | 28.27 |
| Non-current liabilities | 51.06 | 4.38 |
| Equity | 2,608.80 | 775.12 |
| Proportion of the group's ownership | 1,304.40 | 387.56 |

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | 0.38 | - |
| Other incomes | 1.93 | 5.13 |
| Employee Benefits Expense | 83.37 | 13.99 |
| Finance Costs | 0.73 | - |
| Depreciation and Amortization Expense | 57.28 | - |
| Other Expenses | 126.65 | 39.92 |
| Profit Before Tax | (265.72) | (48.78) |
| Income tax expense | 51.52 | 12.53 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 39. Interest in Joint venture (Contd..)

**Sandhar Daewha Automotive Systems Private Limited (Contd..)**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Profit for the year (continuing operations) | (317.24) | (36.25) |
| Other comprehensive income for the year, net of tax | (0.24) | - |
| Total Comprehensive income for the year (continuing operations) | (317.48) | (36.25) |
| Group's share of profit for the year | (158.74) | (18.13) |

**Sandhar Daeshin Auto Systems Private Limited**

**Summarised balance sheet as at 31 March 2019 and 31 March 2018:**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 2.12 | - |
| Non-Current assets | - | - |
| Current Liabilities | 0.92 | - |
| Non-current liabilities | - | - |
| Equity | 1.21 | - |
| Proportion of the group's ownership | 0.60 | - |

**Summarised Statement of profit & loss**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | - | - |
| Other incomes | - | - |
| Cost of Raw Material & Component Consumed | - | - |
| Employee Benefits Expense | - | - |
| Finance Costs | - | - |
| Depreciation and Amortization Expense | - | - |
| Other Expenses | 0.93 | - |
| Profit Before Tax | (0.93) | - |
| Income tax expense | - | - |
| Profit for the year (continuing operations) | (0.93) | - |
| Other comprehensive income for the year, net of tax | - | - |
| Total Comprehensive income for the year (continuing operations) | (0.93) | - |
| Group's share of profit for the year | (0.47) | - |

**Sandhar Whetron Electronics Private Limited**

**Summarised balance sheet as at 31 March 2019 and 31 March 2018:**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 4.15 | - |
| Non-Current assets | 89.85 | - |
| Current Liabilities | 30.50 | - |
| Non-current liabilities | 1.66 | - |
| Equity | 61.84 | - |
| Proportion of the group's ownership | 30.92 | - |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 39. Interest in Joint venture (Contd..)

**Sandhar Whetron Electronics Private Limited (Contd..)**

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | - | - |
| Other incomes | 1.01 | - |
| Cost of Raw Material & Component Consumed | - | - |
| Employee Benefits Expense | 1.75 | - |
| Finance Costs | - | - |
| Depreciation and Amortization Expense | 1.09 | - |
| Other Expenses | 35.23 | - |
| Profit Before Tax | (37.06) | - |
| Income tax expense | 0.26 | - |
| Profit for the year (continuing operations) | (37.32) | - |
| Other comprehensive income for the year, net of tax | - | - |
| Total Comprehensive income for the year (continuing operations) | (37.32) | - |
| Group's share of profit for the year | (18.66) | - |

**Kwangsung Sandhar Technologies Private Limited**

### Summarised balance sheet as at 31 March 2019 and 31 March 2018:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current assets | 1.00 | - |
| Non-Current assets | - | - |
| Current Liabilities | 6.17 | - |
| Non-current liabilities | - | - |
| Equity | 5.17 | - |
| Proportion of the group's ownership | 2.58 | - |

### Summarised Statement of profit & loss

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Revenue | - | - |
| Other incomes | - | - |
| Cost of Raw Material & Component Consumed | - | - |
| Employee Benefits Expense | - | - |
| Finance Costs | - | - |
| Depreciation and Amortization Expense | - | - |
| Other Expenses | 6.17 | - |
| Profit Before Tax | (6.17) | - |
| Income tax expense | - | - |
| Profit for the year (continuing operations) | (6.17) | - |
| Other comprehensive income for the year, net of tax | - | - |
| Total Comprehensive income for the year (continuing operations) | (6.17) | - |
| Group's share of profit for the year | (3.08) | - |

The Group had no contingent liabilities or capital commitment relating to its interest in Sandhar Hang Sung Technologies Private Limited., Sandhar Ecco Green Energy Private Limited, Sandhar Amkin Industries Private Limited, Jinyoung Sandhar Mechatronics Private Limited, Indo Toolings Private Limited, Sandhar Daewha Automotive Systems Private Limited, Sandhar Daeshin Auto Systems Private Limited, Sandhar Whetron Electronics Private Limited and Kwangsung Sandhar Technologies Private Limited as at 31 March 2019 and 31 March 2018.

All the Joint Ventures companies cannot distribute its profits until obtains the consent from the two venture partners.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

## 40. Research & Development (R & D) Expenses

The Company has incurred following expenditure on its Research and Development center at Gurgaon approved and recognised by the Ministry of Science & Technology, Government of India.

**a. Capital Expenditure**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Capital expenditure | 87.96 | 11.54 |

**b. Revenue Expenditure**

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Employee benefits expenses | 467.04 | 373.89 |
| Power & Fuel | 4.74 | 4.40 |
| Repair & maintenance | 36.13 | 19.24 |
| Travelling & conveyance | 10.71 | 11.83 |
| Legal & professional charges | 1.12 | 12.81 |
| Miscellaneous expenses | 18.01 | 27.82 |
| **Total** | **537.75*** | **449.99** |

*This includes amount of ₹39.21 which is not allowed as deduction under section 35(2AB) of Income Tax Act 1961 as R&D Expenditure.

## 41. Disclosure of additional information as required by the Schedule III

| Name of the entity | 2018-19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in Total Comprehensive income | |
| | As % of consolidated net assets | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) |
| **Parent** | | | | | | | | |
| Sandhar Technologies Ltd. | 94.32% | 67,873.61 | 100.57% | 9,570.59 | (1,258.74%) | (61.10) | 99.88% | 9,509.48 |
| **Indian Subsidiaries of Sandhar Technologies Ltd.** | | | | | | | | |
| Sandhar Tooling Pvt Ltd | 1.88% | 1,355.40 | 3.57% | 339.74 | (135.58%) | (6.58) | 3.50% | 333.16 |
| Sandhar Strategic Systems Private Limited | 0.00% | 0.44 | 0.00% | (0.16) | 0.00% | - | 0.00% | (0.16) |
| Minority interest in Sandhar Tooling Pvt Ltd. | (0.49%) | (350.52) | (0.73%) | (69.02) | 27.22% | 1.32 | (0.71%) | (67.70) |
| **Foreign subsidiaries of Sandhar Technologies Ltd.** | | | | | | | | |
| Sandhar Technologies Barcelona, SL | 5.23% | 3,766.31 | 3.75% | 357.01 | 1,549.70% | 75.22 | 4.54% | 432.24 |
| **Joint ventures** | | | | | | | | |
| Indo Toolings Private Limited | 0.43% | 310.90 | 0.56% | 52.99 | (4.84%) | (0.24) | 0.55% | 52.76 |
| Jinyoung Sandhar Mechatronics Private Limited | 0.80% | 574.62 | (1.69%) | (161.16) | 18.61% | 0.90 | (1.68%) | (160.25) |
| Sandhar Amkin Industries Private Limited | 0.55% | 397.53 | (1.45%) | (138.19) | - | - | (1.45%) | (138.19) |
| Sandhar Daewha Automotive Systems Private Limited | 1.81% | 1,305.45 | (1.67%) | (158.62) | (2.47%) | (0.12) | (1.67%) | (158.74) |
| Sandhar Ecco Green Energy Private Limited | 0.10% | 74.43 | (0.26%) | (24.33) | - | - | (0.26%) | (24.33) |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 March 2019

(Rupees in lacs, except share data, per share data and unless otherwise stated)

**41.** Disclosure of additional information as required by the Schedule III **(Contd..)**

| Name of the entity | 2018-19 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net Assets, i.e., total assets minus total liabilities | | Share in profit or loss | | Share in other comprehensive income | | Share in Total Comprehensive income | |
| | As % of consolidated net assets | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) | As % of consolidated Profit or Loss | Amount (in ₹) |
| Sandhar Han Sung Technologies Private Limited | 0.46% | 330.62 | (2.42%) | (230.41) | (93.90%) | (4.56) | (2.47%) | (234.97) |
| Sandhar Daeshin Auto Systems Private Limited | 0.00% | 0.60 | 0.00% | (0.47) | - | - | 0.00% | (0.47) |
| Sandhar Whetron Electronics Private Limited | 0.04% | 30.92 | (0.20%) | (18.66) | - | - | (0.20%) | (18.66) |
| Kwangsung Sandhar Technologies Private Limited | 0.00% | (2.08) | (0.03%) | (3.08) | - | - | (0.03%) | (3.08) |
| Less: Cost of investment in joint ventures | (5.15%) | (3,708.93) | - | - | - | - | - | - |
| **Consolidated Net Assets/ Profit after tax** | **100.00%** | **71,959.30** | **100.00%** | **9,516.22** | **100.00%** | **4.85** | **100.00%** | **9,521.07** |

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration number 101248W/W-100022

**Shashank Agarwal**
Partner
Membership No. 095109

For and on behalf of the Board of Directors of
**Sandhar Technologies Limited**

**D.N. Davar**
Chairman
DIN:00002008

**Jayant Davar**
Co-Chairman and Managing Director
DIN:00100801

**Arvind Joshi**
Director, Company Secretary and Chief Financial Officer
DIN:01877905

**K.L. Chugh**
Non-Executive, Independent Director
DIN:00140124

**M.L. Bhagat**
Non-Executive, Independent Director
DIN:00699750

**Ravinder Nagpal**
Non-Executive, Independent Director
DIN:00102970

**Arvind Kapur**
Non-Executive, Independent Director
DIN:00096308

**Archana Capoor**
Non-Executive, Independent Director
DIN:01204170

Place: Gurugram
Date: 27 May 2019

Place: Gurugram
Date: 27 May 2019

# NOTES

SANDHAR
Growth. Motivation. Better Life

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