Suresh Surana & Associates LLP
Chartered Accountants

# INDEPENDENT AUDITOR'S REPORT

To
The Members of
**Lava International Limited**

## Report on the Audit of the Standalone Ind AS Financial Statements

### Opinion

We have audited the accompanying standalone Ind AS financial statements of **Lava International Limited ("the Company")**, which comprise the Balance sheet as at March 31 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of 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 Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the 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 March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act as amended. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS 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 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 audit opinion on the standalone Ind AS financial statements.

### Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. The other information as stated above is expected to be made available to us after the date of this Auditors' Report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the 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.

**Responsibility of Management for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity 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, read with relevant rules issued thereunder as amended. 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 the 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 Ind AS 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 Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS 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 Ind AS 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 system in place and the operating effectiveness of such controls.

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

**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 of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by Section 143(3) of the Act, we report that:

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

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

   (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder;

   (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 over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure B" to this report.

   (g) 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.

(h) 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, as amended 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 litigation on its financial position in its standalone financial statements - Refer Note 31 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.

**FOR SURESH SURANA & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm's Registration No. 121750 W / W-100010

Chartered Accountants

**(Rahul Singhal)**
PARTNER
Membership No: 096570
UDIN: 19096570AAAAHM4329

Place of Signature: Noida
Date: 10/12/2019

## ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

**(Referred to in paragraph 1 under the heading of "Report on other legal and regulatory requirements" of our report of even date)**

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The Company has regular programme of physical verification of its fixed assets by which all fixed assets (except the assets which the Company has no access) of respective locations are verified in a phased manner over a period of three years. Accordingly, physical verification of fixed Assets was carried out in financial year 2017-18. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   (c) The company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3 (i) (c) of the Order are not applicable.

2. As explained to us, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on physical verification of the inventory.

3. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) (a), 3(iii) (b) and 3(iii) (c) of the Order are not applicable.

4. The Company has complied with the provisions of Section 186 in respect of investments made & guarantees given. Further, in our opinion, the company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans and security.

5. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits during the year within the meaning of Sections 73 to 76 of the Act and the rules framed there under, to the extent notified.

6. 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(1) of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

7. (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, goods and service tax, cess and any other statutory dues, with the appropriate authorities during the year ended 31 March 2019. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31 March 2019 for a period of more than six months from the date they became payable.

   b) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, goods and service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute except the followings:

Suresh Surana & Associates LLP Chartered Accountants

Statement of dispute dues

| Name of the Statute | Name of Dues | Amount not deposited on account of dispute (in millions INR) | Period to which the amount relates (Previous Year) | Forum where the dispute is pending |
|---|---|---|---|---|
| Bihar VAT Act | Sales Tax | 10.75 | 2009-15 | Hon'ble Bihar Commercial Tax, Tribunal, Patna |
| Bihar VAT Act | Sales Tax | 23.06 | 2015-17 | Joint Commissioner of Commercial Taxes (Appeals) Central Division - Patna |
| Chandigarh VAT Act | Sales Tax | 0.76 | 2009-15 | Chandigarh High Court |
| Karnataka VAT Act | Sales Tax | 2.46 | 2014-15 | Joint Commissioner of Commercial Taxes (Appeals-2), Shanthinagar, Bangalore |
| Karnataka VAT Act | Sales Tax | 4.93 | 2009-10 & 2012-14 | Karnataka Appellate Tribunal |
| Kerala VAT Act | Sales Tax | 2.37 | 2009-13 | The Deputy Commissioner (Appeal) Ernakulam |
| Maharashtra VAT Act | Sales Tax | 4.23 | 2009-12 | Deputy Commissioner of Sales Tax, Raigarh division |
| Maharashtra VAT Act | Sales Tax | 18.38 | 2011-13 | Joint Commissioner of Sales Tax, Raigarh division |
| Punjab VAT Act | Sales Tax | 9.44 | 2011-14 | Punjab Tribunal |
| Rajasthan VAT Act | Sales Tax | 11.79 | 2009-15 | Rajasthan High Court |
| Seemandhra VAT Act | Sales Tax | 14.34 | 2014-15 & 2015-16 | Hyderabad High Court |
| Tamil Nadu VAT Act | Sales Tax | 0.78 | 2015-16 & 2016-17 | Additional Commissioner (Appeal) |
| Telangana CST Act | Sales Tax | 3.65 | 2015-17 | Hyderabad High Court |
| Uttar Pradesh VAT Act | Sales Tax | 49.45 | 2011-15 | Court of Hon'ble member Tribunal, commercial Tax, Range - Noida |

Chartered Accountants

8. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of loans and borrowings from any financial institution, banks, government or debenture holders during the year.

9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). The term loan raised by the company was applied for the purpose for which it was raised.

10. According to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year.

11. The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Act.

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

13. Based on our audit procedures and as per the information and explanations given by the management, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

14. According to the information and explanations given to us and based on 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.

15. Based on our audit procedures and as per the information and explanations given by the management, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**FOR SURESH SURANA & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm's Registration No. 121750 W / W-100010

**(Rahul Singhal)**
PARTNER
Membership No. 096570
UDIN: 19096570AAAAHM6320

Place of Signature: Noida
Date: 10/12/2019

## ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **Lava International Limited, ("the Company")** as on 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 control over financial reporting 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 Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR SURESH SURANA & ASSOCIATES LLP
Chartered Accountants
Firm's Registration No. 121750 W / W-100010

(Rahul Singhal)
PARTNER
Membership No. 096570
UDIN: 19096570AAAAHH8329

Place of Signature: Noida
Dated: 10/12/2019

Lava International Limited
Standalone balance sheet as at 31 March 2019
(All amounts in Indian Rupees millions unless otherwise stated)

| Particulars | Notes | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3 | 869.55 | 484.37 |
| Capital work-in-progress | 3 | - | 157.16 |
| Intangible assets | 4 | 320.56 | 591.67 |
| Intangible assets under development | 4 | - | 32.73 |
| Investment in subsidiaries and associates | 5 | 540.50 | 101.96 |
| Financial assets | | | |
| Investments | 6 (a) | - | - |
| Loans | 6 (f) | 35.99 | 36.32 |
| Other financial assets | 6 (h) | 357.83 | 303.34 |
| Other non-current assets | 8 (a) | 71.13 | 79.19 |
| | | 1,846.58 | 1,996.74 |
| **Current assets** | | | |
| Inventories | 7 | 1,356.08 | 4,429.14 |
| Financial assets | | | |
| Investments | 6 (b) | 94.50 | 457.00 |
| Trade receivables | 6 (c) | 9,728.49 | 6,421.55 |
| Cash and cash equivalents | 6 (d) | 722.07 | 2,280.99 |
| Other bank balances | 6 (e) | 1,774.85 | 2,513.36 |
| Loans | 6 (g) | 15.78 | 9.95 |
| Others | 6 (i) | 334.47 | 348.66 |
| Other current assets | 8 (b) | 3,396.73 | 3,181.03 |
| | | 16,859.89 | 19,704.68 |
| **TOTAL ASSETS** | | 18,406.47 | 21,101.42 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Equity share capital | 9 | 1,248.67 | 1,248.67 |
| Instruments entirely equity in nature | 9 | 50.00 | 50.00 |
| Other equity | | | |
| Securities premium | | 1,874.58 | 1,874.58 |
| Share based payment reserve | | 143.78 | 139.04 |
| Retained earnings | | 6,331.93 | 6,140.75 |
| Other reserves | | (7.09) | (7.09) |
| **Total Equity** | | 9,666.17 | 9,445.95 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 10 (a) | 672.89 | 780.58 |
| Other financial liabilities | 10 (d) | 73.47 | 20.07 |
| Other non-current liabilities | 12 (a) | 4.68 | 3.72 |
| Provisions | 11 (a) | 69.21 | 101.18 |
| Deferred tax liabilities (net) | 23 (c) | 119.73 | 239.60 |
| | | 940.08 | 1,159.81 |
| **Current liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 10 (b) | 797.86 | 1,742.14 |
| Trade payables | | | |
| - total outstanding dues of micro enterprises and small enterprises | 10 (c), 32 | 20.49 | - |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 10 (c) | 6,277.34 | 8,952.38 |
| Other financial liabilities | 10 (e) | 304.93 | 981.90 |
| Other current liabilities | 12 (b) | 199.41 | 279.39 |
| Provisions | 11 (b) | 221.83 | 346.14 |
| Liabilities for current tax (net) | 13 | 184.38 | 195.13 |
| Total liabilities | | 7,800.22 | 10,496.23 |
| **TOTAL EQUITY AND LIABILITIES** | | 18,406.47 | 21,201.42 |

Summary of significant accounting policies 2.1

The accompanying notes form an integral part of these standalone financial statements.

As per our report of even date attached
**For Suresh Surana & Associates LLP**
**Chartered Accountants**
**Firm's Registration No.: 121750W/W-100010**

**Ramesh Singhal**
Partner
Membership No.: 098870

Place: Noida
Date: 18/3/2019

For and on behalf of the Board of Directors of
**Lava International Limited**

**Hari Om Rai**
Managing Director
(DIN : 01191463)

**Shailendra Nath Rai**
Whole-Time Director
(DIN: 00908417)

**Ashish Bose**
Chief Financial Officer

**Bharat Mishra**
Company Secretary
(Membership No.: ACS-35433)

Lava International Limited
Standalone Statement of profit and loss for the year ended 31 March 2019
*(All amounts in Indian Rupees Million unless otherwise stated)*

| Particulars | Notes | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| **Income** | | | |
| Revenue from operations | 14 | 30,663.02 | 32,908.57 |
| Other income | 16 | 51.62 | 235.98 |
| **Total income (I)** | | 30,714.64 | 33,144.55 |
| **Expenses** | | | |
| Cost of raw material and components consumed | 17 | 20,494.45 | 20,609.83 |
| Purchase of traded goods | | 3,348.49 | 3,945.02 |
| (Increase)/decrease in inventories of finished goods, work-in-progress and traded goods | 18 | 970.73 | (27.86) |
| Employee benefits expense | 19 | 2,705.77 | 3,883.63 |
| Excise duty | | - | 145.08 |
| Other expenses | 20 | 2,407.29 | 3,113.62 |
| **Total expenses (II)** | | 29,926.73 | 31,671.34 |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA) (I)-(II)** | | 787.91 | 1,473.21 |
| Depreciation and amortisation expense | 21 | 316.35 | 278.53 |
| Finance costs | 22 | 379.65 | 380.07 |
| Finance income | 15 | (175.79) | (296.74) |
| Net Finance cost | | 203.86 | 83.33 |
| Profit before tax | | 267.70 | 1,111.35 |
| - Current tax | | 195.97 | 313.61 |
| - Deferred tax expense/(income) | | (126.49) | 91.21 |
| Income tax expense | 23 | 69.48 | 404.82 |
| **Profit for the year** | | 198.22 | 706.53 |
| **Other comprehensive income** | | | |
| Other comprehensive income not to be reclassified to profit and loss in subsequent periods : | | | |
| - Re-measurement (gains)/losses of defined benefit plan | 28 | (18.68) | (16.92) |
| - Income tax relating to this item | 23 | 6.53 | 5.86 |
| **Other comprehensive (income)/loss for the year** | | (12.15) | (11.06) |
| **Total Comprehensive Income for the year** | | 210.37 | 717.59 |
| **Earnings per equity share (in Rupees)** | 24 | | |
| Basic | | 1.59 | 5.66 |
| Diluted | | 1.52 | 5.54 |
| Summary of significant accounting policies | 2.1 | | |

The accompanying notes forms an integral part of these standalone financial statements.

As per our report of even date as attached
For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No.: 121750W/W-100010

**Rahul Singhal**
Partner
Membership No. 096570

Place: Noida
Date: 13/12/2019

For and on behalf of the Board of Directors of
**Lava International Limited**

**Hari Om Rai**
Managing Director
(DIN - 01101443)

**Shailendra Nath Rai**
Whole-Time Director
(DIN-00908417)

**Abhaya Bose**
Chief Financial Officer

**Bharat Mishra**
Company Secretary
(Membership No.: ACS-35437)

Lava International Limited
Standalone statement of changes in equity for the year ended 31 March 2019
(All amounts in Indian Rupees Millions unless otherwise stated)

a. Equity share capital

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| At the beginning of the year | 1,248.47 | 312.17 |
| Add: Issue of bonus shares | - | 936.30 |
| Outstanding at the end of the year | 1,248.47 | 1,248.47 |

b. Instruments entirely equity in nature

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| At the beginning of the year | 50.00 | - |
| Add: Issue of compulsorily convertible preference share | - | 50.00 |
| Outstanding at the end of the year | 50.00 | 50.00 |

c. Other equity

| Particulars | Reserves and Surplus | | | | | Total |
|---|---|---|---|---|---|---|
| | Securities premium (i) | General reserve (ii) | Share based payment reserve (iii) | Retained earnings | FVTOCI - equity investment reserve (iv) | |
| As at 1 April 2017 | - | 8.00 | 49.25 | [illegible] | (7.65) | [illegible] |
| Total profit for the year | - | - | - | 706.33 | - | 706.33 |
| Other comprehensive income for the year | - | - | - | 11.06 | - | 11.06 |
| Total comprehensive income for the year | - | - | - | 717.39 | - | 717.39 |
| Issue of instruments entirely equity in nature | 1,874.58 | - | - | - | - | 1,874.58 |
| Share based payment expense | - | - | 93.06 | - | - | 93.06 |
| Share options settled/surrendered | - | - | (3.27) | 3.27 | - | - |
| Bonus issue | - | (8.00) | - | [illegible] | - | [illegible] |
| As at 31 March 2018 | 1,874.58 | - | 139.04 | [illegible] | (7.65) | [illegible] |
| Total profit for the year | - | - | - | 198.22 | - | 198.22 |
| Other comprehensive income for the year | - | - | - | 12.15 | - | 12.15 |
| Total comprehensive income for the year | - | - | - | 210.37 | - | 210.37 |
| Share based payment expense | - | - | 4.45 | - | - | 4.45 |
| Share options settled/surrendered | - | - | (7.21) | [illegible] | - | - |
| As at 31 March 2019 | 1,874.58 | - | [illegible] | 6,351.43 | (7.65) | [illegible] |

(i) Securities premium : Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act 2013.
(ii) General reserve : The amount in general reserve has been recorded on the forfeiture of vested share options and exercise of options from trust.
(iii) Share based payment reserve : The share option outstanding account is used to recognise the grant date of fair value of options issued to employees under the Company's employee stock option plan.
(iv) FVTOCI equity investment reserve : The Company has elected to recognise changes in the fair value of investments in equity instruments of Althaya Pte Ltd in other comprehensive income. The changes are accumulated within the FVTOCI equity investment reserve.

Summary of significant accounting policies (refer note 2.1)

The accompanying notes form an integral part of these standalone financial statements.

As per our report of even date as attached
For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No.: 121750W/W-100010

Rahul Singhal
Partner
Membership No.: 096570

Place: Noida
Date: 14/12/2018

For and on behalf of the Board of Directors of
Lava International Limited

Hari Om Rai
Managing Director
(DIN - 01270443)

Shailendra Nath Rai
Whole Time Director
(DIN-00906817)

Ashiva Bose
Chief Financial Officer

Bharat Mishra
Company Secretary
(Membership No. - ACS 33437)

Lava International Limited
Standalone Cash flow statement for the year ended 31 March 2019
(All amounts in Indian Rupees Million unless otherwise stated)

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | | |
| Adjustment to reconcile profit before tax to net cash flows : | 267.70 | 1,111.28 |
| Depreciation and amortisation | | |
| Profit on sale of property, plant and equipment | 316.35 | 278.53 |
| Property, plant and equipment written off | (0.38) | (0.11) |
| Fair value (gain)/loss on investment at fair value through profit or loss | 7.81 | 12.28 |
| Dividend income | (3.33) | 2.73 |
| Share based payment expense | (5.00) | (4.42) |
| Unrealised foreign exchange (gain)/ loss | 4.45 | 85.06 |
| Net gain on sale of mutual fund investments | (172.80) | 106.82 |
| Profit on sale of non current investments | (12.02) | (93.68) |
| Balances written off | - | (8.48) |
| Fair value (gain)/loss on derivative financial instrument at FVTPL | 7.27 | 2.41 |
| Liability written back | - | (0.12) |
| Provision for inventories obsolescence | 0.19 | (5.72) |
| Provision for trade receivables and advances | 80.95 | (164.33) |
| Provision for other receivables | 16.65 | (49.60) |
| Interest expense | - | 17.53 |
| Interest income | 272.20 | 233.74 |
| **Operating profit before working capital changes** | (158.77) | (196.54) |
| | 621.23 | 1,337.49 |
| **Movements in working capital:** | | |
| Increase/ (Decrease) in trade payables and other liabilities | | |
| Increase/ (Decrease) in provisions | (1,299.22) | 3,429.08 |
| (Increase)/ Decrease in trade receivables | (140.22) | (82.40) |
| (Increase)/ Decrease in inventories | (267.22) | (3,932.54) |
| (Increase)/ Decrease in other assets | 791.24 | 473.07 |
| **Cash generated from operations** | (333.74) | (928.56) |
| Income taxes paid (net of refunds) | (835.93) | 336.04 |
| **Net cash flow used in operating activities (A)** | (229.80) | (1,023.35) |
| | (1,065.73) | (687.31) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment including capital work in progress | | |
| Purchase of intangible assets including intangible assets under development | (77.24) | (251.57) |
| Proceeds from sale of property, plant and equipment (including intangibles) | (92.81) | (97.82) |
| Sale of investment in subsidiaries | 0.85 | 0.47 |
| Investment in subsidiaries | - | 11.97 |
| Purchase of mutual fund investments | (278.54) | (2.50) |
| Sale of mutual fund investments | (94.49) | (694.26) |
| Investments in bank deposits | 309.02 | 792.44 |
| Redemption/maturity of bank deposits | (2,769.82) | (2,814.94) |
| Interest received | 3,680.81 | 2,433.77 |
| **Net cash flow from/(used in) investing activities (B)** | 276.90 | 120.09 |
| | 1,063.68 | (282.85) |
| **Cash flow from financing activities** | | |
| Proceeds from issuance of compulsory convertible preference shares (instruments entirely equity in nature) | - | 1,934.18 |
| Proceeds from long-term borrowings | | |
| Payment of long-term borrowings | 300.00 | 1,002.43 |
| Movement in short-term borrowings | (714.40) | (464.68) |
| Interest paid | (944.28) | (56.11) |
| **Net cash (used in)/from financing activities (C)** | (204.18) | (189.65) |
| | (1,562.86) | 2,216.59 |
| Net increase in cash and cash equivalents (A + B +C) | (1,564.91) | 1,246.43 |
| Cash and cash equivalents at the beginning of the year | 2,286.99 | 1,040.56 |
| **Cash and cash equivalents at the end of the year** | 722.07 | 2,286.99 |
| **Components of cash and cash equivalents** | | |
| Cash on hand | | |
| With banks on current account | 5.59 | 3.91 |
| - on deposit account | | |
| - others balances | 90.00 | 200.98 |
| **Total cash and cash equivalents (Refer note 6 (d))** | 626.48 | 2,082.10 |
| | 722.07 | 2,286.99 |

**Reconciliation of liabilities arising from financing activities**

| | Long term borrowings | Short term borrowings | Interest accrued |
|---|---|---|---|
| **Opening balance as on 31 March 2018** | 1,200.98 | 1,742.14 | 29.02 |
| **Cash Flows** | | | |
| - Payment | | | |
| - Proceeds | (714.40) | (944.28) | (204.18) |
| **Non-Cash** | 300.00 | - | - |
| - Upfront fees and amortisation | | | |
| - Interest expense | 4.17 | - | - |
| **Closing balance as on 31 March 2019** | - | - | 249.50 |
| | 790.75 | 797.86 | 75.38 |

Summary of significant accounting policies (refer note 2.1)

Lava International Limited
Standalone cash flow statement for the year ended 31 March 2019
(All amounts in Indian Rupees Million unless otherwise stated)

The accompanying notes form an integral part of these standalone financial statements.

The schedules referred to above and notes on accounts form an integral part of the standalone cash flow statement.
1. Figures in brackets indicate cash out flow

**As per our report of even date as attached**

**For Suresh Surana & Associates LLP**
Chartered Accountants
Firm's Registration No.: 121750W/W-100010

**Rahul Bhapkar**
Partner
Membership No.: 096170

Place: Noida
Date: 10/12/2019

For and on behalf of the Board of Directors of
**LAVA International Limited**

**Hari Om Rai**
Managing Director
(DIN - 01393442)

**Shailendra Nath Rai**
Whole-Time Director
(DIN-00008417)

**Ashara Basu**
Chief Financial Officer

**Bharat Mishra**
Company Secretary
(Membership No.: ACS-35437)

1. **Corporate information**

Lava International Limited (the 'Company') is engaged in trading and manufacturing of mobile phones, storage devices and other wireless telecommunication devices. The Company is a public company domiciled in India and is incorporated under the provisions of Companies Act applicable in India. The registered office of the Company is located in Karampura, Delhi and the principal place of business is Noida, Uttar Pradesh. The Company has an in-house research and development center and manufacturing facilities in Noida.

The financial statements were authorised for issue in accordance with a resolution of the directors on

2. **Basis of preparation**

**a. Statement of compliance**

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

**b. Functional and presentation currency**

These financial statements are presented in Indian rupees, which is also the Company's functional currency. All amounts have been rounded-off to the nearest millions upto two places of decimal, unless otherwise indicated.

**c. Basis of measurement**

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. The financial statements have been prepared on the historical cost basis except for the following items:

- Investments in equity instruments of other entities (at fair value through other comprehensive income)
- Investment in mutual funds (at fair value through profit or loss)
- Derivative financial instruments (at fair value through profit or loss)

**d. Use of estimates and judgements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized prospectively in current and future periods. Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

**Significant estimates**

**Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets. Carrying amount of property, plant and equipment and intangible assets are disclosed in Note 3 and Note 4 respectively.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may impact the DBO amount and the annual defined benefit expenses. Carrying amount of defined benefit obligations are disclosed in Note 28.

**Provisions for warranties** – A provision is estimated for expected warranty in respect of products sold during the year on the basis of a technical evaluation and past experience regarding failure trends of products and costs of rectification or replacement. Carrying amount of provision is disclosed in Note 11.

**Significant judgments**

**Contingent liabilities** – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Company assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

**Impairment of financial assets** – At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding financial assets.

**Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**2.3 Summary of significant accounting policies**

**(a) Current vs Non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Current liabilities include current portion of non-current financial liabilities. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

*Operating cycle*

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**(b) Property, plant and equipment**

i. **Recognition and measurement**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses if any. Cost directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by the management.

*ii.* **Subsequent expenditure**

Subsequent costs are capitalised on the carrying amount or recognised as a separate asset, as appropriate, only when future economic benefits associated with the item are probable to flow to the Company and cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in regular intervals, the Company recognises such parts as separate component of assets. All repair and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss on the date of disposal or retirement.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under the non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work in progress'.

*iii.* **Depreciation**

Depreciation on property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets as below:-

| Assets | Useful Lives |
|---|---|
| Office Equipment | 5 Years |
| Furniture and fixtures* | 5 Years |
| Demonstration Fixtures* | 2 Years |
| Vehicles* | 5 Years |
| Computer and Components* | 3 Years |
| Plant and Machinery* | |
| Jigs | 1 Years |
| Other Plant and Machinery | 5,15 Years |
| Electrical Installations | 10 Years |

*Based on technical evaluation, the management believes that the useful lives as given above best represent the period over which the management expects to use these assets. Hence the useful lives for these assets are different from useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Leasehold Improvements are amortized over the lease term or 10 years whichever is less.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives.

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.

**(c) Intangible assets**

*i.* **Recognition and initial measurement**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

*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.* **Amortisation**

The useful lives of intangible assets is assessed as finite as stated below and the assets are amortised over their useful lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired.

| Assets | Useful Lives |
|---|---|
| Computer software (over license period) | 1-5 Years |
| Internally generated software | 5 Years |

The amortization period and the amortization method are reviewed at least at each financial year end. 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

**Research and development costs**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the asset
- Its ability to use or sell the asset
- How the asset will generate future economic benefits.
- The availability of adequate resources to complete the development and to use or sell the asset
- The ability to measure reliably the expenditure attributable to the intangible asset during development.

Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on a straight line basis over the period of expected future benefit from the related project, i.e., the estimated useful life of one to five years. Amortization is recognized in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

**(d) Leases**

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.

*Company as a lessee*

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other leases are classified as operating leases. Payments made under operating leases are charged to statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**(e) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations. 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.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss.

**(f) Financial instruments**

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

**Financial assets**

***Recognition and initial measurement***

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

***Classification and subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Equity instruments measured at fair value through other comprehensive income (FVTOCI)

*Debt instruments at amortised cost*

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the 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 most applicable to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognized in the statement of profit and loss. This category generally applies to trade and other receivables.

*Debt instrument at FVTPL*

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

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is considered only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss. This category is applicable to investments in mutual funds.

*Debt instrument at FVTOCI*

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent SPPI.

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 derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss (P&L). Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

*Equity Investments*

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. 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.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to 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 FVTPL category are measured at fair value. All changes in fair value including dividend are recognized in the statement of profit and loss.

*De-recognition*

A financial asset is de-recognised only when

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

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

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

*Impairment of financial assets*

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

a. Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
b. Loan commitments 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 recognises 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 expected credit loss (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.

The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. For the financial assets measured as at amortised cost, 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.

*Financial liabilities*

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR. Gains and losses are recognised in statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit and loss.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

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

***Reclassification of financial assets***

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest

***Offsetting financial instruments***

Financial asset and financial liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(g) Derivative financial instrument**

The Company uses derivative financial instruments i.e., forward and futures currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss. The Company has not applied hedge accounting.

**(h) Fair value measurement**

The Company measure its financial instruments such as derivative at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1- Quoted (Unadjusted) marked prices in the active markets for identical assets or liabilities

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management or its expert verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average 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, but excluding borrowing costs. Cost is determined on weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in first out basis.

Net realisable 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.

**(j) Revenue recognition**

With effect from 1st April 2018, Ind AS 115 – "Revenue from Contracts with Customers" notified by MCA vide its notification dated 28 March, 2018 which supersedes Ind AS 18 – "Revenue" and related Appendices.

We account for revenue in accordance with Ind AS 115"Revenue from Contracts with customers" using the modified retrospective method.

The Company has recognize revenue in accordance with Ind AS 115 by applying the following 5 steps:
I Identify the contracts with the customers,
II Identify the separate performance obligations,
III Determine the transaction price of the contract,
IV Allocate the transaction price to each of the separate performance obligations, and
V Recognize the revenue as each performance obligation is satisfied.

**Sale of Goods**
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration entitled in exchange for those goods or services.

Revenue mainly comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of GST, returns, sales incentives and discounts.
The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks

The Company accounts for volume discount for pricing incentives to customers as a reduction of revenue based on estimate of applicable discount/incentives.

**Sale of Services**
Revenue from sales of services is from installation of third party mobile applications in the handset and is recognized by reference to the stage of completion, net of GST. Stage of completion is
Measured by reference to services performed to date as a percentage of total services to be performed.

**Interest**
For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the 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 amortised 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 but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

**Dividend Income**
Dividend Income is recognised when the Company's right to receive the amount has been established.

**Contract Balances:**

**Trade Receivables**
A receivable represents the Company's right to an amount of consideration that is unconditional.

**Contract Assets**
A contract asset is a right to consideration that is conditional upon factors other than the passage of time.

**Contract Liabilities**
A Contract liabilities is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

**(k) Foreign currencies**

*(i) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates i.e. the "functional currency". These financial statements are presented in Indian rupees, which is also the functional currency of the Company.

*(ii) Transactions and balances*

Foreign currency transactions are recorded in functional currency at the exchange rates prevailing at the date of transaction. Exchange differences arising on settlement of transactions, are recognised as income or expense in the year in which they arise.

At the balance sheet date, all monetary items denominated in foreign currency, are reported at the exchange rates prevailing at the balance sheet date and the resultant gain or loss is recognised in the statement of profit and loss. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of profit and loss, are also recognised in OCI or statement of profit and loss respectively).

**(l) Income taxes**

*Current income tax*

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 in India.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Current income tax relating to items recognised outside statement of profit and loss is recognised either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Payments of tax as per Minimum Alternative Tax (MAT) is included as part of current tax in statement of profit and loss.

*Deferred Income Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements as at reporting date. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred 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 the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

MAT is applicable to the Company. Credit of MAT is recognised as deferred tax asset only when it is probable that taxable profit will be available against which the credit can be utilised. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss account. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent it is no longer probable that the Company will pay normal income tax during the specified period.

**(m) Retirement and other employee benefits**

Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the statement of profit and loss for the year when an employee renders the related service. The Company has no obligation, other than the contribution payable to the provident fund.

The Company operates an unfunded defined benefit gratuity plan for its employees. The cost of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end, using the projected unit credit method and charged to statement of profit and loss. 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, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to statement of profit and loss in subsequent periods.

Accumulated leave is treated as short-term employee benefit as the Company has no unconditional right to defer the liability. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Such compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss.

**(n) Provisions and Contingent Liabilities**

**Provisions**

*General*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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

*Warranty provisions*

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

*Decommissioning liability*

The Company records a provision for decommissioning costs of a leased facility. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

**Contingencies**

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

**(o) Earnings per share**

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit or loss attributable to equity holders of the Company (after adjusting the corresponding income/charge for dilutive potential equity shares) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

**(p) Segment reporting**

**Identification of segments**
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). Only those business activities are identified as operating segment for which the operating results are regularly reviewed by the CODM to make decisions about resource allocation and performance measurement.

**Inter-segment transfers**
The Company generally accounts for inter-segment sales and transfers at cost plus appropriate margins.

**Segment accounting policies**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**(q) Share based payments**

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

*Equity-settled transactions*

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using Black Scholes Option Pricing Model.

That cost is recognised, together with a corresponding increase in share-based payment reserves in equity, over the period in which the service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because service conditions have not been met.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**(r) Borrowing costs**

Borrowing costs to the extent directly attributable to the acquisition/construction of assets that necessarily take substantial period of time to get ready for their intended use are capitalised along with the respective property, plant and equipment up to the date such asset is ready for use. Other borrowing costs are charged to the statement of profit and loss.

**(s) Cash and cash equivalents**

Cash and cash equivalent in the balance sheet and for the purpose of statement of cash flows comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. These do not include bank balances earmarked/restricted for specific purposes.

Bank borrowings in form of cash credits are considered to be component of cash and cash equivalents for the purpose of statement of cash flows since these are repayable on demand.

**(t) Equity investments (in subsidiaries, associates and joint venture)**

Investments in subsidiaries, associates and joint venture are carried at cost less accumulated impairment losses, if any in separate financial statements. 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, associates and joint venture, the difference between net disposal proceeds and the carrying amounts are recognized in the statement of profit and loss.

**(u) Measurement of Earnings before Interest, tax, depreciation and amortization (EBITDA)**

Ind AS compliant Schedule III allows line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the Company's financial position /performance.

Accordingly, the Company has elected to present earnings before net finance cost, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, interest income, finance costs, and tax expense.

**(v) Recent accounting pronouncements**

**Standards issued but not yet effective**

*Ind AS 116 'Leases'*

On March 30, 2019, the Ministry of Corporate Affairs notified Ind AS 116 "Leases", applicable in respect of accounting periods commencing on or after April 1, 2019.

Ind AS 116 "Leases" supersedes Ind AS 17 "Leases" in respect of accounting periods commencing on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The Company is in the process of evaluating the operating and financial impact of new standards.

**Amendment to Ind AS 12**

The amendment to Ind AS 12 clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

The effective date of the new standard is 1 April 2019. The Company is in the process of evaluating the operating and financial impact of new standards.

**Amendment to Ind AS 19**

The amendment to Ind AS 19 requires an entity

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

- To recognize in profit or loss as a part of past service cost, or a gain or loss on settlement, any reduction in surplus, even if that surplus was not previously recognized because of the impact of asset ceiling.

The effective date of the new standard is 1 April 2019. The Company is in the process of evaluating the operating and financial impact of new standards.

**(w) Impact of implementation of new standards/amendments:**

- Effective April 1, 2018 the Company has adopted Ind AS – 115 'Revenue from Contracts with Customers'. There were no major contracts that were not completed as at the date of initial application of the Standard. The effect on adoption of the Standard was not material.

LAVA International Limited
Notes to standalone financial statements for the year ended 31 March 2019
(All amounts in ₹ million unless otherwise stated)

3 Property, plant & equipment

| Particulars | Plant and machinery | Furniture and fixtures | Office equipment | Computers | Vehicles | Demonstration fixtures | Leasehold improvements | Electrical installations | Total | Capital work-in-progress |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| As at 31 March 2017 | 218.97 | 39.42 | 78.44 | 163.24 | 11.07 | 84.24 | 362.84 | 3.25 | 961.47 | 35.16 |
| Additions | 8.09 | 3.67 | 10.96 | 24.30 | - | 43.52 | 33.08 | 0.01 | 123.63 | 161.12 |
| Disposals | - | - | 0.45 | 3.84 | - | - | - | - | 4.29 | 39.12 |
| As at 31 March 2018 | 227.06 | 43.09 | 88.95 | 183.70 | 11.07 | 127.76 | 395.92 | 3.26 | 1,080.81 | 157.16 |
| Additions | 382.46 | 0.47 | 4.83 | 12.84 | - | - | 27.94 | 0.78 | 430.92 | 2.36 |
| Disposals | 0.44 | - | 0.24 | 9.88 | - | - | - | - | 10.67 | 159.52 |
| As at 31 March 2019 | 609.08 | 43.56 | 88.54 | 186.66 | 11.07 | 127.76 | 423.86 | 4.04 | 1,491.46 | - |
| **Depreciation** | | | | | | | | | | |
| As at 31 March 2017 | 60.44 | 17.34 | 26.16 | 87.94 | 6.48 | 64.55 | 96.11 | 0.48 | 359.50 | - |
| Charge for the Year | 32.02 | 7.03 | 17.54 | 48.94 | 2.27 | 31.64 | 93.40 | 0.33 | 233.17 | - |
| Disposals | - | - | 2.83 | 3.40 | - | - | - | - | 6.23 | - |
| As at 31 March 2018 | 92.46 | 24.37 | 40.87 | 133.48 | 8.75 | 96.19 | 189.51 | 0.81 | 586.44 | - |
| Charge for the Year | 78.51 | 6.98 | 16.91 | 35.67 | 1.96 | 25.72 | 79.42 | 0.37 | 245.54 | - |
| Disposals | 0.13 | - | 0.12 | 9.82 | - | - | - | - | 10.07 | - |
| As at 31 March 2019 | 170.84 | 31.35 | 57.66 | 159.33 | 10.71 | 121.91 | 268.93 | 1.18 | 821.91 | - |
| **Net Block** | | | | | | | | | | |
| As at 31 March 2018 | 134.60 | 18.72 | 48.08 | 50.22 | 2.32 | 31.57 | 206.41 | 2.45 | 494.37 | 157.16 |
| As at 31 March 2019 | 438.24 | 12.21 | 27.88 | 27.33 | 0.36 | 5.85 | 154.93 | 2.86 | 669.55 | - |

Note : Certain property, plant and equipment are pledged as collateral against borrowings, the details of which have been described in note 33.

4 Intangible assets

| | Computer softwares and licenses | Internally generated software | Total | Intangible assets under development |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 31 March 2017 | 98.79 | 87.67 | 186.46 | 28.21 |
| Additions | 53.30 | - | 53.30 | 68.56 |
| Disposals | - | - | - | 24.04 |
| As at 31 March 2018 | 152.09 | 87.67 | 239.76 | 72.73 |
| Additions | 92.81 | - | 92.81 | 1.39 |
| Disposals | 3.40 | - | 3.40 | 74.12 |
| As at 31 March 2019 | 241.50 | 87.67 | 329.17 | - |
| **Amortisation** | | | | |
| As at 31 March 2017 | 64.98 | 25.63 | 90.61 | - |
| Charge for the year | 29.95 | 17.53 | 47.48 | |
| As at 31 March 2018 | 94.93 | 43.16 | 138.09 | - |
| Charge for the year | 53.65 | 17.53 | 71.18 | - |
| Disposals | 0.66 | - | 0.66 | - |
| As at 31 March 2019 | 147.92 | 60.69 | 208.61 | - |
| **Net Block** | | | | |
| As at 31 March 2018 | 57.16 | 44.51 | 101.67 | 72.73 |
| As at 31 March 2019 | 93.58 | 26.98 | 120.56 | - |

(All amounts are Indian Rupees Million unless otherwise stated)

5. Investments in subsidiaries and associate

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No of Units | Amount | No of Units | Amount |
| *Unquoted equity instruments fully paid up* | | | | |
| Investment in equity instruments of subsidiaries (at cost) | | | | |
| Equity Shares of 1 HKD each fully paid up of Lava International (H.K.) Limited | 10,000,000 | 57.48 | 10,000,000 | 57.48 |
| Equity Shares of 1 HKD each fully paid up of Xolo International (H.K.) Limited | 100,000 | 0.83 | 100,000 | 0.83 |
| Equity shares of Rs 10 each fully paid up of Lava Enterprises Limited | 5,200,000 | 52.00 | 5,200,000 | 52.00 |
| Equity shares of Rs 10 each fully paid up of Sojo Manufacturing Services Private Limited | 2,219,000 | 22.19 | 1,094,000 | 10.94 |
| Equity shares of Rs 10 each fully paid up of Sojo Manufacturing Services (A.P.) Private Limited | 3,939,000 | 39.39 | 1,939,000 | 19.39 |
| Equity shares of Rs 10 each fully paid up of Sojo Distribution Private Limited | 9,000 | 0.09 | 9,000 | 0.09 |
| Equity shares of Rs 10 each fully paid up of Sojo Infotel Private Limited | 9,000 | 0.09 | 9,000 | 0.09 |
| Equity shares of 1000 AED each fully paid up of Lava Technologies DMCC | 18,400 | 339.43 | 50 | 0.91 |
| Equity shares of 0.0001 USD each fully paid up of Lava Technologies L.L.C. | 4,000,000,000 | 28.79 | - | - |
| Investment in equity instruments of associate (at cost) | | | | |
| Equity shares of Rs 10 of MagicTel Solutions Private Limited | 2,500 | 0.03 | 2,500 | 0.03 |
| | | 540.50 | | 141.76 |

6. Financial assets

6 (a) Non-current Investments

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No of Units | Amount | No of Units | Amount |
| Investment in equity instruments of other entities | | | | |
| (at fair value through other comprehensive income) | | | | |
| Equity Shares of .001 SGD each fully paid up of Abhriya Pte. Ltd.* | 63,800 | - | 63,800 | - |
| | | - | | - |
| Aggregate amount of quoted investment | | - | | - |

*As at 31 March 2019, the Company has fair valued the investment at Nil (31 March 2018 - Nil) amount as there is no future economic benefit expected from the investment.

6 (b) Current Investments

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | No of Units | Amount | No of Units | Amount |
| *Investment in Mutual funds (Quoted)(at fair value through profit or loss)* | | | | |
| Baroda Pioneer Banking and Financial Services Funds (of Rs. 10 each) | - | - | 199,590 | 8.01 |
| Reliance Credit Risk Fund - Growth | 2,191,187 | 58.16 | - | - |
| Union Arbitrage Fund Regular Plan - Growth | 149,990 | 1.51 | - | - |
| HDFC Regular Savings Fund(G) | - | - | 1,470,720 | 30.62 |
| Reliance Arbitrage Advantage Fund(MD) | - | - | 28,215,080 | 298.53 |
| Reliance Regular Savings Fund - Debt Plan | - | - | 2,101,176 | 30.84 |
| Union Capital Protection Oriented Fund - Series 8 | 2,000,000 | 17.61 | 2,000,000 | 20.42 |
| Union Dynamic Bond Fund - G | - | - | 1,344,303 | 20.23 |
| Union Large cap Fund - G | - | - | 1,000,342 | 10.18 |
| Union Balanced Advantage Fund (earlier named as Union Prudence Fund Regular Plan - G) | - | - | 1,499,990 | 14.27 |
| Union Liquid Fund - G | - | - | 3,325 | 6.43 |
| Baroda Pioneer Credit Opportunities Fund - Plan A | - | - | 375,566 | 5.06 |
| Union KBC Capital Protection Oriented Fund - Series 7 | 1,100,000 | 17.22 | 1,100,000 | 13.88 |
| | | 94.50 | | 457.10 |
| Aggregate amount of quoted investment | | 94.50 | | 457.10 |

(All amounts in Indian Rupees Millions unless otherwise stated)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (c) Trade receivables #** | | |
| **Unsecured** | | |
| - Considered good | 6,215.08 | 6,414.98 |
| - Receivables from related parties, considered good (refer note 30) | 511.41 | 6.57 |
| - Considered doubtful | 18.20 | 10.64 |
| | 6,744.69 | 6,432.19 |
| Less: Provision for trade receivables | | |
| - Considered doubtful | (18.20) | (10.64) |
| | 6,726.49 | 6,421.55 |

For terms and conditions relating to trade receivables, refer note 27.
# Refer note 35

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (d) Cash and cash equivalents** | | |
| Balances with banks: | | |
| On current accounts | 626.48 | 2,082.10 |
| Deposits with original maturity of less than three months # | 90.00 | 200.98 |
| Cash on hand | 5.59 | 2.91 |
| | 722.07 | 2,286.99 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (e) Other bank balances** | | |
| Deposits with remaining maturity for more than three months but less than twelve months # | 1,774.85 | 2,513.36 |
| | 1,774.85 | 2,513.36 |

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (f) Loans (Non-Current)** | | |
| Security deposits | 36.99 | 36.32 |
| | 36.99 | 36.32 |

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (g) Loans (Current)** | | |
| Security deposits | 13.78 | 6.98 |
| | 13.78 | 6.98 |

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **6 (h) Other financial asset (Non-Current)** | | |
| **Unsecured, considered good unless stated otherwise** | | |
| Bank deposits with remaining maturity of more than twelve months # | 103.47 | 284.96 |
| Interest accrued on bank deposits | 4.36 | 18.38 |
| | 107.83 | 303.34 |

| | | |
|---|---|---|
| # Includes margin money deposits under lien (refer note 6 (d) and note 6 (e)): | | |
| - against letter of credit facility | 1,144.52 | 1,723.42 |
| - against amount paid under protest (including interest accrued) (refer note 34) | 300.00 | 300.00 |

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Million unless otherwise stated)

6 (ii) Other financial assets (Current)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Unsecured, considered good unless stated otherwise** | | |
| Interest accrued on bank deposits | 118.28 | 235.81 |
| Unbilled revenue | 37.12 | 34.98 |
| Derivative asset | - | 0.12 |
| Others receivables | | |
| - Considered good* | 219.07 | 97.75 |
| - Considered doubtful | - | 17.53 |
| | 374.47 | 386.19 |
| Less: Provision for doubtful other receivables | - | (17.53) |
| | 374.47 | 368.66 |

* includes other receivables from related parties amounting to Rs.190.34 million (31 March 2018 : Rs.64.98 million). Refer note 30 for details.

7 **Inventories**
(at lower of cost or net realisable value)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Raw materials and components 1, 2 | 909.80 | 730.30 |
| Work-in-progress | - | 9.79 |
| Finished goods 1,2 | 1,581.59 | 2,342.23 |
| Traded goods 2 | 194.75 | 403.12 |
| Spares 1,2 | 870.84 | 950.68 |
| | 3,556.98 | 4,429.12 |
| 1 including stock in transit | | |
| - Raw materials and components | 292.60 | 94.68 |
| - Finished goods | 90.10 | 82.19 |
| - Spares | - | 0.36 |
| 2 The above inventory is net of :- | | |
| a) Write down of inventory from cost to net realisable value | | |
| Finished goods | 86.40 | 2.43 |
| Traded goods | 9.91 | 47.86 |
| Raw materials and components | - | 2.47 |
| b) Provision for inventory obsolescence | | |
| Finished goods | 1.54 | 0.31 |
| Traded goods | 9.94 | 11.03 |
| Spares | 207.80 | 127.01 |

8 (a) Other assets (Non-Current)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Unsecured, considered good, unless otherwise stated** | | |
| Capital advances | 61.07 | 66.41 |
| Prepaid expenses | 10.08 | 12.78 |
| | 71.15 | 79.19 |

8 (b) Other assets (Current)

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| Unsecured, considered good, unless otherwise stated | | | |
| Prepaid expenses | (A) | 49.42 | 52.14 |
| Balance with statutory/ government authorities (refer note 31 (c) & 34) | (B) | 1,553.05 | 2,064.18 |
| Advances to vendors | | | |
| - Considered good | | 912.73 | 692.83 |
| - advances to related parties, considered good (refer note 30) | | 384.76 | 290.31 |
| - Considered doubtful | | 70.03 | 60.94 |
| | | 1,367.54 | 1,044.10 |
| Less: Provision for doubtful advances | | (70.03) | (60.94) |
| | (C) | 1,297.51 | 983.16 |
| Others | (D) | 696.77 | 81.35 |
| Total (A + B + C + D) | | 3,596.75 | 3,181.03 |

(All amounts in Indian Rupees Million unless otherwise stated)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **9 Share capital** | | |
| **Authorised share capital** | | |
| 147,000,000 (31 March 2018 : 147,000,000) equity shares of Rs 10 each | 1,470.00 | 1,470.00 |
| 300,000 (31 March 2018 : 300,000) Compulsory Convertible Preference Shares (CCPS) of Rs 100 each | 30.00 | 30.00 |
| | **1,500.00** | **1,500.00** |
| **Issued, subscribed and fully paid-up share capital** | | |
| 124,866,902 (31 March 2018 : 124,866,902) equity shares of Rs 10 each | 1,248.67 | 1,248.67 |
| 300,000 (31 March 2018 : 300,000) Compulsory Convertible Preference Shares (CCPS) of Rs 100 each | 30.00 | 30.00 |
| **Total issued, subscribed and fully paid-up share capital** | **1,278.67** | **1,278.67** |

**(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

**Equity shares**

| | Amount | | No of Shares | |
|---|---|---|---|---|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| At the beginning of the year | 1,248.67 | 312.17 | 124,866,902 | 31,216,725 |
| Issued during the year | - | 936.50 | - | 93,650,177 |
| **Outstanding at the end of the year** | **1,248.67** | **1,248.67** | **124,866,902** | **124,866,902** |

**Instruments entirely equity in nature -**
**Compulsory Convertible Preference Shares (CCPS)**

| | Amount | | No of Shares | |
|---|---|---|---|---|
| | 31 March 2019 | 31 March 2018 | 31 March 2019 | 31 March 2018 |
| At the beginning of the year | 30 | - | 300,000 | - |
| Issued during the year | - | 30 | - | 300,000 |
| **Outstanding at the end of the year** | **30** | **30** | **300,000** | **300,000** |

**(b) Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share and dividends in proportion to their shareholding. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive residual assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**Terms/ rights attached to Compulsory Convertible Preference Shares (CCPS)**

During the year ended 31 March 2018, the Company has issued 300,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 100 each. The preference shares shall collectively be entitled to dividend of 0.0001% of the aggregate face value of the preference shares.

As per the terms of Subscription and Shareholders Agreement, the preference shares may be converted, at any time at the discretion of the CCPS holder, into fixed number of equity shares (calculated at 5.13% of the share capital at funding date i.e. 8.32 number of equity shares per CCPS). If any of the preference shares have not been converted into equity shares within 19 years and 11 months, such remaining preference shares shall be automatically and compulsorily converted into such number of equity shares upon the expiry of such period.

**(c) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date**

| | No of Shares | |
|---|---|---|
| | **31 March 2019** | **31 March 2018** |
| Equity shares allotted as fully paid bonus shares | 122,583,785 | 122,583,785 |

**(d) Details of shareholders holding more than 5% shares in the Company***
**Equity Shares of Rs. 10 each fully paid**

| | No of Shares | | Percentage shareholding | |
|---|---|---|---|---|
| | **31 March 2019** | **31 March 2018** | **31 March 2019** | **31 March 2018** |
| Hari Om Rai | 45,083,936 | 45,083,936 | 36.11% | 36.11% |
| Sunil Bhalla | 28,390,372 | 28,390,372 | 22.74% | 22.74% |
| Vishal Sehgal | 22,104,352 | 22,104,352 | 17.70% | 17.70% |
| Shailendra Nath Rai | 11,790,028 | 11,790,028 | 9.44% | 9.44% |
| Shilpi Sehgal | 7,302,720 | 7,302,720 | 5.85% | 5.85% |

*As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents legal ownerships of shares.

(e) The Company has not issued any shares pursuant to contract without payment being received in cash or bought back any shares during the period immediately preceding five years from the reporting date. However, during the year ended 31 March 2018 the company issued 93,650,177 bonus shares to the existing share holders in proportion to their shareholding, in the ratio of 3 equity shares for every equity share held, out of its accumulated profits of earlier years.

(f) Shares reserved for issue under options
For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 36.

(All amounts in Indian Rupees million unless otherwise stated)

19 Financial liabilities

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **19 (a) Long term borrowings** | | |
| Indian rupee term loan from banks (secured) (refer note I) | 152.89 | 266.38 |
| 100,000 (Previous years: 100,000) Compulsory Convertible Preference Shares (CCPS) of Rs 10/- each (refer note II) | 320.00 | 320.00 |
| | 472.89 | 786.38 |
| Current maturities of long term borrowings (refer note 19(c)) | 117.00 | 434.40 |

Note I:

(i) Indian rupee term loan from bank amounting to NIL (31 March 2018: Rs 13.87 million) which carries interest @ 11.50% per annum and repayable in eight equal quarterly instalments starting after 3 months from month of first disbursement. The loan was secured on first pari-passu charge basis on overall current assets (present and future) of the Company by way of hypothecation and collateral securities and share pledge of promoters shareholding for value of 1.8 times of the facility amount. Further, the loan was personally guaranteed by certain directors of the Company.

(ii) Indian rupee term loan from bank amounting to Rs 69.76 million (31 March 2018: Rs. 87.20 million) which carries interest @ 10.20% per annum and repayable in thirty equal quarterly instalments with first payment commencing from the 7th month of date of disbursement. The loan is to be repaid by 27 March 2021. The loan is secured on first pari-passu charge both by way of hypothecation of movable fixed assets (present and future) and further secured on second pari-passu charge basis by way of hypothecation of overall current assets (both present and future) of the Company. Further, the loan has been personally guaranteed by certain directors of the Company.

(iii) Indian rupee term loan from bank amounting to NIL (31 March 2018: Rs 150.00 million) which carries interest @ 10.50% per annum and repayable in five equal quarterly instalments starting after 3 months from month of first disbursement. The loan is secured by pledge of promoters shareholding for value of 3 times of the facility amount. Further, the loan has been personally guaranteed by certain directors of the Company.

(iv) Indian rupee term loan from bank amounting to Rs. 200.22 million (31 March 2018: 318.31 million) (which carries interest @ 11.35% per annum and repayable in equal quarterly instalments (except term loan of Rs. 203.22 million (31 March 2018: Rs. 200.20 million) which is payable in equal monthly instalment) starting after 6 months from month of first disbursement. The loan is to be repaid by 6 August 2021. The loan is secured on first pari-passu charge basis by way of hypothecation of machinery and equipment purchased from the term loan and further secured on second pari-passu charge basis by way of hypothecation of overall current assets (present and future) of the Company. Further, the loan has been personally guaranteed by certain directors of the Company and their relatives.

Note II:

During the year ended 31 March 2018, the Company has issued 100,000 Compulsory Convertible Preference Shares (CCPS) of Rs. 10 each for a consideration of Rs 320.00 million. The CCPS shall carry a coupon of 0.0001% and shall be non-cumulative in nature, which is to be declared at the discretion of the shareholder of the Company.

The preference shares may be converted into the equity shares at any time at the discretion of the CCPS holder, subject to the terms of the agreement. If any of the preference shares have not been converted to equity shares within 10 years from the allotment date, then such remaining preference shares shall be compulsorily converted into equity shares upon the expiry of such period.

The number of shares to be allotted upon conversion of CCPS shall be based upon the conversion price arrived at on the conversion date, as per below condition defined in the agreement. In the event company is not able to get listed on a recognised stock exchange within four years, the Company or Promoters shall buy-back or purchase all of the shares and CCPS held by CCPS holder at a price not less than the Sale Price. Sale Price shall be the Subscription Price and a return of 9% per annum compounded annually from Closing date till the date of purchase of all subscription shares or CCPS. In view of the same, the Company has accrued interest @ 9% every year.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **19 (b) Short term borrowings** | | |
| Short term loan (secured)* | - | 735.00 |
| Cash credit from banks (secured)** | 797.86 | 882.38 |
| Buyer's credit (secured)*** | - | 125.76 |
| | 797.86 | 1,743.11 |

*Secured by way of hypothecation on first pari-passu charge basis, on overall current assets (current and future) of the Company and share pledge of promoters shareholding for value of 2.5 times of the facility amount. Further, the loan has been personally guaranteed by certain directors of the Company. The short term loan carries interest @ 10.95% per annum and are repayable within one year.

**Secured by way of hypothecation on first pari-passu charge basis, on overall current assets of the Company (current and future) and collateral securities/personal guarantees of promoter directors and relatives of promoter directors. The said loan is further secured:

(1) by way of a first charge of hypothecation on pari-passu basis, of existing and future movable fixed assets of the company excluding software and machineries' assets created by way of loans from other banks and financial institutions.

(2) by way of a second charge of hypothecation on pari-passu basis, of such existing and future movable fixed assets of the borrower such machineries/ other assets which are created by way of loans from other banks and financial institutions.

The cash credit is repayable on demand and carries interest @ 10.40% per annum to 12.90% per annum.

***Secured by way of hypothecation on first pari-passu charge basis, on overall current assets of the Company (current and future) and collateral securities/personal guarantees of promoter directors and relatives of promoter directors. The said loan is further secured:

(1) by way of a first charge of hypothecation on pari-passu basis, of existing & future movable fixed assets of the Company excluding software and machineries' assets created by way of loans from other banks and financial institutions.

(2) by way of a second charge of hypothecation on pari-passu basis, of such existing & future movable fixed assets of the borrower such machineries/ other assets which are created by way of loans from other banks and financial institutions and carries interest @ 1.32% per annum to 1.67% per annum.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **19 (c) Trade payables** | | |
| Trade payables (refer note 32 for details of dues to micro and small enterprises) # ## | 5,274.56 | 6,510.61 |
| Payable to related parties (refer note 33) | 23.27 | 41.77 |
| | 5,297.83 | 6,552.38 |

#Trade payables are not interest bearing and are normally settled within 30 to 90 days. It includes amount of Rs. 142.83 million, cleared through corporate credit card.

[illegible]

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **19 (d) Other financial liabilities (Non-current)** | | |
| Interest accrued but not due on borrowings (refer note 19(a)) | 73.67 | 20.67 |
| | 73.67 | 20.67 |

(All amounts in Indian Rupees Million unless otherwise stated)

10(c) Other financial liabilities (current)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current maturities of long term borrowings (refer note 10(a)) | 117.80 | 414.40 |
| Payable for capital purchases | 150.11 | 31.66 |
| Security deposits | 132.74 | 172.34 |
| Interest accrued on borrowings (refer note 37) | 3.83 | 3.21 |
| Employee payables | 166.80 | 359.23 |
| Derivative liability | 7.57 | - |
| Other payables to related parties (refer note 30) | - | 0.01 |
| | 594.91 | 981.09 |

11 (a) Provisions (Non-Current)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 28) | 41.90 | 73.04 |
| **Other provisions** | | |
| Provision for warranties | 23.01 | 23.84 |
| Provision for decommissioning liabilities | 4.30 | 4.20 |
| | 69.21 | 101.18 |

11 (b) Provisions (Current)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Provision for employee benefits** | | |
| Provision for gratuity (refer note 28) | 10.49 | 30.94 |
| Provision for compensated absences | 42.55 | 70.87 |
| | 53.04 | 101.81 |
| **Other provisions** | | |
| Provision for warranties | 179.79 | 244.37 |
| Provision for decommissioning liabilities | - | - |
| | 179.79 | 244.37 |
| | 232.83 | 346.18 |

**Provision for warranties**
The Company provides warranty on its products by giving an undertaking to repair/replace items to the customers, which fails to perform satisfactorily during the warranty period. Provision made represents the amount of the expected cost of meeting such obligations of repair/replacement. The timing of the outflows is expected to be in next 24 months.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| At the beginning of the year | 268.21 | 333.16 |
| Arising during the year | 344.04 | 419.01 |
| Less: Utilised/reversed during the year | (412.41) | (483.96) |
| **At the end of the year** | 198.84 | 268.21 |

**Provision for decommissioning liabilities**
Under few operating lease agreements entered by the Company, it has to incur restoration cost for restoring lease premises to the original condition at the time of expiry of lease period. The timing of the outflows is expected to be in next 3 years. The impact of discounting is not considered material and hence ignored.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| At the beginning of the year | 4.30 | 4.03 |
| Arising during the year | - | 0.27 |
| **At the end of the year** | 4.30 | 4.30 |

12 (a) Other non-current liabilities

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Lease equalisation reserve | 4.68 | 5.72 |
| | 4.68 | 5.72 |

12 (b) Other current liabilities

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Advances from customers (refer note 32) | 656.15 | 168.55 |
| Lease equalisation reserve | 5.06 | 1.33 |
| Tax deductible at source (refer note 37) | 13.55 | 47.53 |
| Other statutory liabilities | 24.74 | 60.62 |
| | 699.41 | 278.39 |

13 Liabilities for current tax (net)

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Provision for income tax* (refer note 37) | 184.36 | 195.25 |
| | 184.36 | 195.25 |

*net of advance tax/TDS recoverable amounting to Rs [illegible] million (31 March 2018: Rs 2,504.16 million)

(All amounts in Indian Rupees (million) unless otherwise stated)

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 14 | **Revenue from operations** | | |
| | Sale of products (including excise duty)* | 28,912.59 | 32,446.20 |
| | Sale of services | 1,698.60 | 410.74 |
| | Other operating revenue | | |
| | - Scrap sale | 11.23 | 11.04 |
| | - Export incentives | 40.52 | 30.99 |
| | **Revenue from operations (gross)** | 30,663.01 | 32,908.97 |

*Post applicability of Goods and Service Tax Act (GST) with effect from 01 July 2017, revenue for the year ended 31 March 2018 is disclosed net of GST. However, revenue before 30 June 2017 is net of value added tax/central sales tax but gross of excise duty. Accordingly, revenue for the current year is not comparable with the previous year.

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 15 | **Finance income** | | |
| | Interest income on financial asset at amortised cost | 3.42 | 2.52 |
| | Interest income on fixed deposits with banks | 133.55 | 184.72 |
| | Net gain on sale of mutual fund investments | 12.02 | 95.68 |
| | Profit on realisation/sale of non current investment | - | 8.48 |
| | Fair value gain on derivative financial instruments at fair value through profit or loss | - | 0.12 |
| | Dividend income on current investments | 5.00 | 4.42 |
| | | 153.99 | 296.74 |

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 16 | **Other income** | | |
| | Gain/(Loss) on investment at fair value through profit or loss | 3.34 | - |
| | Profit on sale of property, plant and equipment | 0.38 | 0.11 |
| | Provision for doubtful debts written back | - | 63.62 |
| | Provision for obsolescence of inventories written back | - | 164.23 |
| | Miscellaneous income (refer note 30) | 47.89 | 1.92 |
| | | 51.42 | 229.88 |

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 17 | **Cost of raw material and components consumed** | | |
| | Inventory materials at the beginning of the year | 730.30 | 1,211.22 |
| | Purchases during the year | 20,673.95 | 20,168.91 |
| | Less: Inventory materials at the end of the year | (909.80) | (730.30) |
| | **Cost of raw material and components consumed*** | 20,494.45 | 20,649.83 |

*(net of CVD accrued including recoverable charges for delayed payment) (refer note 34)

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 18 | **(Increase) / decrease in inventories** | | |
| | **Inventories at the end of the year** | | |
| | Traded goods | 194.75 | 405.12 |
| | Spares for handsets | 870.84 | 950.68 |
| | Finished goods | 1,581.59 | 2,342.25 |
| | Work-in-progress | - | 0.79 |
| | | 2,647.18 | 3,698.84 |
| | **Inventories at the beginning of the year** | | |
| | Traded goods | 405.12 | 490.34 |
| | Spares for handsets | 950.68 | 1,270.63 |
| | Finished goods | 2,342.25 | 1,696.66 |
| | Work-in-progress | 0.79 | 43.01 |
| | | 3,698.84 | 3,506.65 |
| | **Change in inventories** | 1,051.66 | (192.19) |
| | Less: Provision for inventory obsolescence | (80.93) | 164.33 |
| | **(Increase) / decrease in inventories** | 970.73 | (27.86) |

| | | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 19 | **Employee benefit expenses** | | |
| | Salary, wages and bonus (refer note 30) | 2,385.99 | 3,320.54 |
| | Contribution to provident and other funds | 130.83 | 210.86 |
| | Gratuity expense (refer note 28) | 13.88 | 57.00 |
| | Share based payment expense (refer note 31) | 4.33 | 97.33 |
| | Staff welfare, recruitment and training | 162.73 | 189.19 |
| | | 2,698.77 | 3,885.63 |

(All amounts in Indian Rupees Million unless otherwise stated)

| 30 Other expenses | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Power and fuel | 32.45 | 42.81 |
| Rent | 197.03 | 254.31 |
| Rates and taxes | 1.12 | 8.96 |
| Insurance | 15.42 | 19.86 |
| Repair and maintenance - others | 160.63 | 159.39 |
| Advertisement and marketing expenses (refer note 39) | 449.17 | 1,075.21 |
| Sales promotion and scheme expenses | 208.07 | 181.45 |
| Freight and cartage | 118.23 | 170.81 |
| Outsourced salary cost | 61.04 | 85.93 |
| Travelling and conveyance | 154.65 | 210.34 |
| Communication costs | 17.64 | 30.74 |
| Warranty expenses | 344.04 | 435.05 |
| Legal and professional fees | 143.78 | 185.03 |
| Payment to auditor (refer details below) | 4.80 | 6.00 |
| Foreign exchange differences (net) | 110.10 | 40.86 |
| Donation | 0.65 | 3.93 |
| Corporate social responsibility expense (refer note 33) | - | 0.50 |
| Provision for doubtful debts | 7.36 | - |
| Provision for doubtful advances | 9.09 | 16.02 |
| Advances written off | 0.79 | 2.41 |
| Provision for doubtful other receivables | - | 17.53 |
| Provision for obsolescence of inventories | 80.93 | - |
| Capital work-in-progress/intangible assets under development written off | 7.81 | 17.20 |
| Fair value loss on derivative financial instrument at fair value through profit or loss | 5.53 | - |
| Loss on investment at fair value through profit or loss | - | 2.73 |
| Miscellaneous expenses | 24.06 | 22.85 |
| | 2,407.29 | 3,113.62 |

| Payment to auditor | 31 March 2019 | 31 March 2018 |
|---|---|---|
| As auditor: | | |
| Audit fee | 4.50 | 5.70 |
| Tax audit fee | 0.30 | 0.30 |
| | 4.80 | 6.00 |

| 31 Depreciation and amortisation expense | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Depreciation expense | 245.17 | 231.01 |
| Amortisation expense | 71.18 | 47.48 |
| | 316.35 | 278.49 |

| 32 Finance costs | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Interest on | | |
| - Term loan | 87.60 | 121.19 |
| - Cash credit | 103.01 | 95.69 |
| - Security deposits | 6.09 | 11.71 |
| - Instruments entirely liability in nature | 46.80 | 26.07 |
| - Income tax | 22.64 | 20.08 |
| Bank charges | 107.43 | 144.33 |
| | 379.65 | 380.07 |

(This space has been intentionally left blank)

(All amounts in Indian Rupees Million unless otherwise stated)

23 Income tax

(a) The major components of income tax expense for the years ended as follows are:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Current income tax:** | | |
| Current income tax charge | 199.72 | 300.82 |
| Adjustment in respect of income tax of previous year | (3.75) | 12.79 |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | (126.49) | 91.21 |
| **Total tax expense on profit of the year (a)** | **69.48** | **404.82** |
| **Other comprehensive income** | | |
| Deferred tax related to items recognised in other comprehensive income during in the year: | | |
| - Re-measurement losses of defined benefit plan | 6.53 | 5.86 |
| - Change in fair value of FVOCI equity instruments | - | - |
| **Total tax expense on other comprehensive income of the year (b)** | **6.53** | **5.86** |
| **Total tax expense on total comprehensive income of the year (a) + (b)** | **76.01** | **410.68** |

(b) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Profit before tax | 307.70 | 1,111.35 |
| Applicable tax rate | 34.94% | 34.61% |
| **Expected tax expense (A)** | **93.55** | **384.62** |
| Expenses not considered in determining taxable profit | 10.39 | 54.89 |
| Income not considered in determining taxable profit | (16.53) | (22.92) |
| Income exempt from tax | (1.77) | (2.79) |
| Impact of change in tax rates | 0.22 | (3.86) |
| Impact of deduction u/s 80JJAA | (23.02) | (27.80) |
| Tax pertaining to earlier years | (3.75) | 12.79 |
| Others | 9.36 | 8.31 |
| **Total adjustments (B)** | **(24.07)** | **20.20** |
| **Actual tax expense ( C= A+B)** | **69.48** | **404.82** |
| **Tax expense recognised in statement of profit and loss** | **69.48** | **404.82** |

(c) Deferred tax

Deferred tax relates to the following:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Deferred tax assets on account of:** | | |
| Property, plant and equipment | (72.81) | (61.37) |
| Employee benefits and other payable | (40.68) | (76.23) |
| Provision for doubtful debts & Advances | (30.83) | (31.14) |
| Provision for obsolescence inventories | (19.64) | (19.64) |
| Fair valuation of investment | - | (0.91) |
| Others | (3.46) | - |
| **Deferred tax related to other comprehensive income of the year:** | | |
| Re-measurement losses of defined benefit plan | 6.80 | (2.13) |
| Change in fair value of FVOCI equity instruments | (2.51) | (2.33) |
| **Deferred tax liability on account of:** | | |
| Tax on custom duty (VTD) to be paid in future years | 291.17 | 453.31 |
| Fair valuation of investment | 1.13 | - |
| Others | 0.52 | 0.11 |
| Net deferred tax liability including other comprehensive income of the year | 119.73 | 239.69 |

(All amounts in Indian Rupees Million unless otherwise stated)

Movement in deferred tax assets for the year ended 31 March 2019

| | As at 31 March 2018 | Recognised in other comprehensive income | Recognised in profit and loss | As at 31 March 2019 |
|---|---|---|---|---|
| Property, plant and equipment | (61.33) | - | (11.48) | (72.81) |
| Employee benefits and other payable | (76.23) | - | 27.55 | (48.68) |
| Provision for doubtful debts and advances | (31.14) | - | 0.31 | (30.83) |
| Provision for obsolescence inventories | (19.44) | - | - | (19.44) |
| Fair valuation of investment | (0.95) | - | 0.95 | - |
| Tax on cessation duty (CD) to be paid in future years | 433.11 | - | (141.94) | 291.17 |
| Fair valuation of investment | - | | 1.17 | 1.17 |
| Others | 0.11 | - | (3.05) | (2.94) |
| Deferred tax related to other comprehensive income of the year: | | | | |
| Re-measurement losses of defined benefit plan | (2.13) | 6.53 | - | 4.40 |
| Change in fair value of FVTOCI equity instruments | (2.31) | - | - | (2.31) |
| Total | 239.69 | 6.53 | (126.49) | 119.73 |

Movement in deferred tax assets for the year ended 31 March 2018

| | As at 31 March 2017 | Recognised in other comprehensive income | Recognised in profit and loss | As at 31 March 2018 |
|---|---|---|---|---|
| Property, plant and equipment | (15.24) | - | (46.09) | (61.33) |
| Employee benefits and other payable | (66.57) | - | (9.66) | (76.23) |
| Provision for doubtful debts and advances | (41.94) | - | 10.80 | (31.14) |
| Provision for obsolescence inventories | (104.75) | - | 85.31 | (19.44) |
| Fair valuation of investment | (13.41) | - | 12.46 | (0.95) |
| Provision for scheme | (47.22) | - | 47.22 | - |
| Tax on cessation duty (CD) to be paid in future years | 444.84 | - | (11.73) | 433.11 |
| Others | (2.79) | - | 2.90 | 0.11 |
| Deferred tax related to other comprehensive income of the year: | | | | |
| Re-measurement losses of defined benefit plan | (7.99) | 5.86 | - | (2.13) |
| Change in fair value of FVTOCI equity instruments | (2.31) | - | - | (2.31) |
| Mat credit entitlement | | - | - | - |
| Total | 142.62 | 5.86 | 91.21 | 239.69 |

24 Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computation:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Nominal value of equity shares | 10 | 10 |
| Profit attributable to equity shareholders for computing basic and dilutive EPS (A) | 198.22 | 706.53 |
| Weighted average number of equity shares outstanding during the year for computing Basic EPS (B) * | 124,866,902 | 124,866,902 |
| Dilutive effect of share based payments on weighted average number of equity shares outstanding during the year | 1,328,287 | 1,216,294 |
| Dilutive effect of compulsory convertible preference shares on weighted average number of equity shares outstanding during the year # | 4,138,068 | 1,332,860 |
| Weighted average number of equity shares outstanding during the year for computing Diluted EPS (C) * | 130,333,257 | 127,416,056 |
| Basic earning per share (A/B) | 1.59 | 5.66 |
| Diluted earning per share (A/C) | 1.52 | 5.54 |

# Compulsory convertible preference shares which are entirely liability in nature, have not been considered in the calculation of diluted EPS.

* During the year ended 31 March 2018 the Company issued 93,650,175 bonus shares to the existing share holders in proportion to their shareholding, in the ratio of 3 equity shares for every equity share held (bonus shares), accordingly the weighted average number of equity shares outstanding for previous years have been adjusted for the purpose of calculating earning per share.

(All amounts - Indian Rupees Million unless otherwise stated)

21 Fair value measurement

a) The carrying value of financial instruments by categories is as under:

| | Notes | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|---|
| | | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| **Assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Financial assets | | | | | | | |
| Investments | 8 (a) | - | - | - | - | - | - |
| Loans | 6 (f) | - | - | 36.99 | - | - | 36.32 |
| Other financial asset | 6 (h) | - | - | 107.83 | - | - | 303.34 |
| | | - | - | 144.82 | - | - | 339.66 |
| **Current assets** | | | | | | | |
| Financial assets | | | | | | | |
| Investments | 8 (b) | 94.50 | - | - | 497.00 | - | - |
| Trade receivables | 6 (c) | - | - | 6,720.49 | - | - | 6,421.55 |
| Cash and cash equivalents | 6 (d) | - | - | 722.07 | - | - | 2,280.99 |
| Other bank balances | 6 (e) | - | - | 1,774.85 | - | - | 2,513.36 |
| Loans | 6 (g) | - | - | 13.78 | - | - | 6.95 |
| Derivative asset | 6 (i) | - | - | - | 0.12 | - | - |
| Others | 6 (i) | - | - | 374.47 | - | - | 368.54 |
| | | 94.50 | - | 9,611.66 | 497.12 | - | 11,597.39 |
| **Liabilities** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Financial liabilities | | | | | | | |
| Borrowings | 10 (a) | - | - | 672.89 | - | - | 786.58 |
| Other financial liabilities | 10 (d) | - | - | 73.47 | | | 26.67 |
| | | - | - | 746.36 | - | - | 813.25 |
| **Current liabilities** | | | | | | | |
| Financial liabilities | | | | | | | |
| Borrowings | 10 (b) | - | - | 797.86 | - | - | 1,742.14 |
| Trade payables | 10 (c), 33 | - | - | 5,297.83 | - | - | 6,932.38 |
| Derivative liabilities | 10 (e) | 7.57 | - | - | - | - | - |
| Other financial liabilities | 10 (e) | - | - | 587.34 | - | - | 901.99 |
| | | 7.57 | - | 6,683.03 | - | - | 9,676.51 |

The fair values of trade receivables, cash and cash equivalents, other current financial asset, trade payables and other current financial liabilities are considered to be same as their carrying values due to their short term nature.

The carrying amounts of other items carried at amortised cost are reasonable approximation of their fair values on respective reporting date.
For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

(This space has been intentionally left blank)

(All amounts in Indian Rupees Million unless otherwise stated)

25 b) Fair value hierarchy and valuation techniques used to determine fair values:

To provide an indication about the reliability of inputs used in determining fair value, the Company has classified its financial instrument into three levels prescribed under the accounting standard. The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

(i) Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as :

| | Fair value measurement using | | | |
|---|---|---|---|---|
| **At 31 March 2019** | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| **Assets measured at FVTPL** | | | | |
| Investment in mutual funds | 94.50 | - | - | 94.50 |
| **Assets measured at FVTOCI** | | | | |
| Investment in equity instruments | - | - | - | - |
| **Liability measured at FVTPL** | | | | |
| Derivative liability | - | 7.57 | - | 7.57 |

| | Fair value measurement using | | | |
|---|---|---|---|---|
| **At 31 March 2018** | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| **Assets measured at FVTPL** | | | | |
| Investment in mutual funds | 497.00 | - | - | 497.00 |
| **Assets measured at FVTOCI** | | | | |
| Investment in equity instruments | - | - | - | - |
| **Asset measured at FVTPL** | | | | |
| Derivative asset | - | 0.12 | - | 0.12 |

- There were no transfers between the Level 1, Level 2 and Level 3 during the years presented.
- There is no change in the valuation technique during the period.

**Valuation techniques used to derive Level 1 fair values**
The fair values of investments in mutual fund units is based on the net asset value ('NAV') as stated by the issuers of these mutual fund units in the published statements as at Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors

**Valuation techniques used to derive Level 2 fair values**
Derivative asset/liability representing forward foreign exchange contracts have been fair valued using dealer/counter party quotes at balance sheet date.

**Valuation techniques used to derive Level 3 fair values**
Inputs for the assets or liabilities that are not based on observable market data. A one percent change in the unobservable inputs used in fair valuation of Level 3 assets doesn't have a significant impact in its value.

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Million unless otherwise stated)

## 26 Capital management

The Company's objectives while managing capital are to safeguard its ability to continue as a going concern and to provide adequate returns for its shareholders and benefits for other stakeholders. The Company's policy is generally to optimise borrowings at an operating Company level within an acceptable level of debt. The Company's policy is to borrow using a mixture of long-term and short-term debts together with cash generated to meet anticipated funding requirements.

The Company monitors capital using a gearing ratio, which is calculated as underlying net debt divided by total capital plus underlying net debt. The Company's policy is to keep the gearing ratio below 40%. The Company measures its underlying net debt as total debt reduced by cash and cash equivalents. The Company monitors compliance with its debt covenants. The Company has complied with all debt covenants at all reporting dates.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018 .

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Borrowings | 1,588.61 | 2,943.12 |
| Less: Cash and cash equivalents | (722.07) | (2,286.99) |
| **Net debt (a)** | **866.54** | **656.13** |
| Equity | 9,660.17 | 9,445.35 |
| **Total capital (b)** | 9,660.17 | 9,445.35 |
| **Capital and net debt (a) + (b) = (c)** | 10,526.71 | 10,101.48 |
| **Gearing ratio (%) (a) / (c)** | 8.23% | 6.50% |

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Million unless otherwise stated)

37 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations. The Company also holds [illegible] investments and enters into derivative transactions.
The main risks arising from the Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk, and credit risk. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

**Price risk**

The Company is [illegible] exposed to the price risk due to its investment in equity instruments and mutual funds. The price risk arises due to uncertainties about the future market values of these investments. In order to manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio in accordance with the limits set by the risk management policies. The Company does not have significant investment in equity instruments.

Set out below is the impact of a 1 % increase/decrease in the NAV of mutual funds on the Company's profit before tax:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Effect on profit before tax | | |
| NAV increase by 100 bps | 0.25 | 4.53 |
| NAV decrease by 100 bps | (0.25) | (4.53) |

**Interest rate risk**

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed, floating rate borrowings.

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Fixed rate borrowings | 570.00 | 1,579.70 |
| Floating rate borrowings | 1,208.03 | 1,363.46 |
| Total | [illegible] | 2,943.16 |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, being a 0.5% increase or decrease in interest rate, with all other variables held constant, of the Company's profit before tax due to the impact on floating rate borrowings.

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Effect on profit before tax | | |
| PLR*- decrease by 50 bps | 5.33 | 7.81 |
| PLR*- increase by 50 bps | (5.33) | (7.81) |

*Prime Lending Rate ('PLRs') set by individual Indian banks in respect of [illegible] loans.

**Credit risk**

The Company is also exposed to credit risk from trade receivables, term deposits, liquid investments and other financial instruments.

(i) Customer credit risk is managed by Company's established policy, procedures and control relating to customer credit risk management. All customers are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. The Company is exposed to credit risk in the event of non-payment by customers. [illegible]

(ii) The credit risk for cash and cash equivalents, other bank balances, term deposits, etc. is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Ageing of past due but not impaired receivables is as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| 0-180 days | 6,371.59 | 4,031.43 |
| 180-365 days | 334.00 | 1,305.67 |
| 1 year plus | 38.33 | 495.11 |
| Total | 6,744.65 | 5,832.18 |

The Company has provisions of Rs. 18.20 million (31 March 2018 : Rs. 10.06 million) for doubtful debts. [illegible]

The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

**Liquidity risk**

The Company monitors their risk of shortage of funds using cash flow forecasting models. These models consider the maturity of their financial investments, committed funding and projected cash flows from operations.

The Company's objective is to provide financial resources to meet its business objectives in a timely, cost effective and reliable manner. A balance between continuity of funding and flexibility is maintained through the use of bank borrowings. The Company also monitors compliance with its debt covenants. The maturity profile of the Company's financial liabilities based on contractual undiscounted payments is given in the table below:

| As at 31 March 2019 | <1 yr | 1-5 yrs | >5 yrs | Total |
|---|---|---|---|---|
| Borrowings (including interest accrued) | 917.33 | 152.89 | - | 1,070.44 |
| Compulsory Convertible Preference Shares (CCPS) (including interest accrued) | - | - | 593.47 | 593.47 |
| Trade payables | 5,297.83 | - | - | 5,297.83 |
| Derivative liability | 7.23 | - | - | 7.23 |
| Other financial liability | 467.63 | - | - | 467.63 |
| Total | 6,689.68 | 152.89 | 593.47 | 7,436.06 |
| **As at 31 March 2018** | | | | |
| Borrowings (including interest accrued) | 2,119.79 | 306.58 | - | 2,426.37 |
| Compulsory Convertible Preference Shares (CCPS) (including interest accrued) | - | - | 546.67 | 546.67 |
| Trade payables | 6,957.38 | - | - | 6,957.38 |
| Other financial liability | 564.54 | - | - | 564.54 |
| Total | 9,6[illegible] | 306.58 | 546.67 | 10,495.76 |

(All amounts in Indian Rupees Million unless otherwise stated)

Foreign currency risk

The Company has significant purchases from outside India. The Company has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. Accordingly, the Company's financial state of affairs can be affected significantly by movements in the US dollar exchange rates. The Company enters into derivative transactions, primarily in the nature of futures currency contracts/forward contracts on import payables. The purpose is to manage currency risks arising from the Company's operations.

The carrying amounts of the Company's financial assets and liabilities denominated in different currencies are as follows:

| As at | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Financial assets INR | Financial liabilities INR | Financial assets INR | Financial liabilities INR |
| Indian Rupees (INR) | 6,957.23 | 4,026.67 | 10,446.19 | 6,751.96 |
| United States Dollar (USD) | 2,893.75 | 3,316.26 | 1,987.98 | 3,735.36 |
| Japanese Yen (JPY) | - | 94.03 | - | - |
| Euro (EUR) | - | - | - | 2.44 |
| **Total** | 9,850.98 | 7,436.96 | 12,434.17 | 10,489.76 |

The Company's exposure to foreign currency arises in part where a Company holds financial assets and liabilities denominated in a currency different from the functional currency of that entity with USD being the major non-functional currency of the Company's main operating subsidiaries. Set out below is the impact of a 10% movement in the US dollar and Euro on profit before tax arising as a result of the revaluation of the Company's foreign currency financial assets and unhedged liabilities :

| As at | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Effect of 10% strengthening of INR against following on profit before tax: | | |
| USD | 42.25 | 164.75 |
| Euro | - | 0.24 |
| Effect of 10% weakening of INR against following on profit before tax: | | |
| USD | (42.25) | (164.75) |
| Euro | - | (0.24) |

The Company enters into forward/future contracts to mitigate the risk arising from fluctuations in foreign exchange rates to cover foreign currency payments.
The Company has taken forwards/future contract of the following amount to hedge against currency risk against movement in INR/US dollar. The contract as on year end are as follows :

| As at | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Amount in INR | 367.50 | 99.86 |

(All amounts in Indian Rupees Million unless otherwise stated)

**38. Post employment benefits plan**

**Gratuity**

The Company has unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following table summarizes the components of net benefit expense recognised in the statement of profit and loss for gratuity plan and amounts recognised in the balance sheet in respect of same.

**Statement of profit and loss**

Net employee benefit expense recognised in the employee cost

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Current service cost | 12.23 | 11.18 |
| Interest cost on benefit obligation | 3.65 | 6.51 |
| **Net benefit expense** | 15.88 | 17.69 |

**Balance sheet**

**Benefit asset/liability**

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Present value of defined benefit obligation | (34.45) | (103.96) |
| **Net asset/(liability) recognised in balance sheet** | (34.45) | (103.96) |

**Changes in the present value of the defined benefit obligation are as follows:**

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Opening defined benefit obligation** | 103.96 | 90.02 |
| Current service cost | 12.23 | 11.18 |
| Interest cost | 3.65 | 6.51 |
| **Total amount recognised in profit & loss** | 15.88 | 17.69 |
| Re-measurement (gains)/losses of defined benefit plan : | | |
| - Due to changes in financial assumptions | (0.03) | (12.49) |
| - Due to experience adjustment | (18.65) | 4.43 |
| **Total amount recognised in other comprehensive income** | (18.68) | [illegible] |
| Benefits paid | (66.71) | [illegible] |
| **Closing defined benefit obligation** | 34.45 | 103.96 |

**The principal assumptions used in determining gratuity benefits are as below:**

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Discount rate | 7.20% | 7.22% |
| Employee turnover* | 30.00% | 30.00% |
| Salary Escalation Rate | 5.00% | 5.00% |

*In the retail executives category, the employee turnover ratio is above 100% based on which none of such category of employees will remain with the Company for 5 years from the date of joining. Hence, the average turnover ratio of other category of employees has been considered for the calculation of the gratuity liability for these category of employees.

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 average duration of the defined benefit plan obligation at the end of the reporting period is 6.60 years (31 March 2018: 8.30 years).

Amounts for the current and previous four periods are as follows:

| Particulars | 31 March 2019 | 31 March 2018 | 31 March 2017 | 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|
| Gratuity | | | | | |
| Defined benefit obligation | 34.45 | 103.96 | 90.02 | 33.50 | 31.70 |
| Experience adjustments on plan liabilities gain / (loss) | 18.66 | 4.43 | (4.83) | (5.24) | (3.04) |

(All amounts in Indian Rupees lakhs unless otherwise stated)

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

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Projected benefit obligation on current assumptions | 24.85 | 103.98 |
| Delta effect of +1 % change in discount rate | (1.72) | (2.80) |
| Delta effect of -1 % change in discount rate | 1.83 | 2.98 |
| Delta effect of +1 % change in salary escalation rate | 1.78 | 2.82 |
| Delta effect of -1 % Change in salary escalation rate | (3.09) | (2.69) |
| Delta effect of +10 % change in rate of employee turnover | (1.71) | (0.74) |
| Delta effect of -10 % change in rate of employee turnover | 1.80 | 0.82 |

## 29 Segment information

Ind AS 108 establishes standards for the way the companies report information about operating segments and related disclosures about products and services, geographic areas, and major customers. The Company's operations relate to sale of mobile handsets in India through the distributors and retailers network. The Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on analysis of various performance indicators pertaining to business as a single segment. Accordingly, for the purpose of entity wide disclosures, only geographical information has been presented.

Business segment of the Company is primarily sale of mobile handsets. The Company has started manufacturing of handsets recently and does not identify sales of traded handsets and sale of manufactured handsets differently given the risks and rewards are the same.

Geographical information on revenues are collated based on individual customers invoiced or in relation to which revenue is otherwise recognised.

*Geographical information:*
The following tables present geographical information regarding the Company's revenue

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| India | 27,815.79 | 29,564.78 |
| Outside India | 2,898.85 | 3,579.72 |
| Total | 30,714.64 | 33,144.50 |

No customer individually accounted for more than 10% of the revenues in the year ended 31 March 2019 and year ended 31 March 2018.

The Company does not have any non-current assets, as defined in Ind AS 108, which is located outside India.

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Million unless otherwise stated)

30 Related party disclosures

(i) List of parties as per the requirement of Ind AS 24 " Related Party Disclosures" :

| Sr.No. | Related Party | Country of Incorporation | Nature of Relationship | |
|---|---|---|---|---|
| | | | 31 March 2019 | 31 March 2018 |
| 1 | LAVA International (H.K.) Limited | Hong Kong | Wholly owned subsidiary | Wholly owned subsidiary |
| 2 | Lava (Shenzhen) Limited# | China | | Wholly owned subsidiary |
| 3 | Xolo International (H.K.) Limited | Hong Kong | Wholly owned subsidiary | Wholly owned subsidiary |
| 4 | Lava Enterprises Limited | India | Subsidiary (99.03 % shares held by Lava International Limited) | Subsidiary (99.03 % shares held by Lava International Limited) |
| 5 | Sojo Distributors Private Limited | India | Subsidiary (99.00% shares held by Lava International Limited) | Subsidiary (99.00% shares held by Lava International Limited) |
| 6 | Sojo Manufacturing Services (A.P.) Private Limited | India | Subsidiary (99.97% shares held by Lava International Limited) | Subsidiary (99.97% shares held by Lava International Limited) |
| 7 | Sojo Manufacturing Services Private Limited | India | Subsidiary (99.97% shares held by Lava International Limited) | Subsidiary (99.97% shares held by Lava International Limited) |
| 8 | Sojo Infotel Private Limited | India | Subsidiary (99.00% shares held by Lava International Limited) | Subsidiary (99.00% shares held by Lava International Limited) |
| 9 | Lava Technologies DMCC | UAE | Wholly owned subsidiary | Wholly owned subsidiary |
| 10 | XOLO Technologies (Shenzhen) Limited* (Now "Inner smart technology limited") | China | Subsidiary (wholly owned by LAVA International (H.K.) Limited) | Subsidiary (wholly owned by LAVA International (H.K.) Limited) |
| 11 | Pt. Lava Mobile Indonesia | Indonesia | Subsidiary (95.00% shares held by LAVA International (H.K.) Limited) | Subsidiary (95.00% shares held by LAVA International (H.K.) Limited) |
| 12 | Lava International DMCC, UAE | UAE | Subsidiary (wholly owned by LAVA International (H.K.) Limited) | Subsidiary (wholly owned by LAVA International (H.K.) Limited) |
| 13 | Lava Mobiles (Private) Limited, Sri Lanka | Sri Lanka | Subsidiary (wholly owned by LAVA International (H.K.) Limited) | Subsidiary (wholly owned by LAVA International (H.K.) Limited) |
| 14 | Lava Mobile Mexico S DE R.L. DE C.V. | Mexico | Subsidiary (99.00% shares held by LAVA International (H.K.) Limited) | Subsidiary (99.00% shares held by LAVA International (H.K.) Limited) |
| 15 | Lava International (Myanmar) Co. Limited | Myanmar | Subsidiary (99.00% shares held by LAVA International (H.K.) Limited) | Subsidiary (99.00% shares held by LAVA International (H.K.) Limited) |
| 16 | Lava International (Thailand) Co Limited | Thailand | Subsidiary (97.00% shares held by LAVA International (H.K.) Limited) | Subsidiary (97.00% shares held by LAVA International (H.K.) Limited) |
| 17 | Lava International (Nepal) Private Limited | Nepal | Subsidiary (wholly owned by LAVA International (H.K.) Limited) | Subsidiary (wholly owned by LAVA International (H.K.) Limited) |
| 18 | Lava International (Bangladesh) Limited | Bangladesh | Subsidiary (99.99% shares held by LAVA International (H.K.) Limited) | Subsidiary (99.99% shares held by LAVA International (H.K.) Limited) |
| 19 | PT LCG Telecommunication and Technology* | Indonesia | Subsidiary (80.00% shares held by XOLO Technologies (Shenzhen) Limited) | Subsidiary (80.00% shares held by XOLO Technologies (Shenzhen) Limited) |
| 20 | Lava Technologies** | Egypt | - | Subsidiary (99.00% shares held by Lava Technologies DMCC) |
| 21 | Tirupati Electronics Manufacturing Cluster Private Limited (TEMCPL) | India | Joint venture (Indirect) | Joint venture (Indirect) |
| 22 | Lava Technologies L.L.C | USA | Wholly owned subsidiary | - |

\# Liquidated during FY 2017-18

* On 21st June 2018 the registered share capital of XOLO Tech Shenzhen ltd was increased to RMB 50 million of which 90% were allotted to Shenzhen [illegible] (Limited partnership). Consequently the shareholding of Lava Hk Limited in XOLO Tech Shenzhen ltd has reduced to 10%. Therefore Xolo Tech Shenzhen is not related party of lava as per Ind As 24 as on 31 March 2019 Consequently PT LCG (WOS of Xolo Tech Shenzhen) is not reported as related party of Lava International Limited.

** Lava Egypt ceased to exist as subsidiary w.e.f 1st April 2018.

Lava International Limited
Notes to standalone financial statements for the year ending 31 March 2019
*(All amounts in Indian Rupees lakhs unless otherwise stated)*

(iii) Others (with whom transactions have taken place during the year)

| Sr.No. | Related Party | Country of Incorporation | Nature of Relationship | |
|---|---|---|---|---|
| | | | 31 March 2019 | 31 March 2018 |
| 1 | MagicTel Solutions Private Limited | India | Associate | Associate |
| 2 | [illegible] International Private Limited | India | Enterprises owned or significantly influenced by key management personnel or their relatives | Enterprises owned or significantly influenced by key management personnel or their relatives |
| 3 | Ace Express Worldwide Logistics (Partnership Firm) | India | Enterprises owned or significantly influenced by key management personnel or their relatives | Enterprises owned or significantly influenced by key management personnel or their relatives |
| 4 | Lava Employees Welfare Trust | India | Controlled trust | Controlled trust |

(iii) Key Management Personnel :

Mr. Hari Om Rai - Managing director
Mr. Shailendra Nath Rai - Whole time director
Mr. Vishal Sehgal - Whole time director
Mr. Sunil Bhalla - Non Executive director w.e.f. 21 December 2017 (Whole time director till 20 December 2017)
Mr. Vivek Mani Tripathi - Whole time director (from 1 December 2016 to 5 May 2017)
Mr. Vinod Rai - Independent director (with effect from 24 July 2017)
Mrs. Chitra Gouri Lal - Independent director (with effect from 24 July 2017)
Mr. Rahul Kansal - Independent director (with effect from 24 July 2017)
Mrs. Neerja [illegible] - Independent director (with effect from 21 June 2017 to 8 February 2018)
Mr. Vineet Jain - Independent director (with effect from 16 September 2016)
Mr. [illegible] - Chief Financial Officer (up to 10 August 2018)
Mr. [illegible] - Chief Financial Officer (from 1 November 2018 to 1 August 2019)
Mr. [illegible] - Chief Financial Officer (with effect from 9 August 2019)
Mr. Rajendra Singh Bedi - Company Secretary (up to 30 April 2017)
Mr. Rohit Kashyap - Company Secretary (from 1 May 2017 to 23 February 2018)
Mr. Saurabh Misra - Company Secretary (with effect from 20 August 2018 upto 3 November 2018)
Mr. Bharat Mishra - Company Secretary (with effect from 19 March 2019)

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Lava International Limited
Notes to standalone financial statements for the year ending 31 March 2019
*(All amounts in Indian Rupees Million unless otherwise stated)*

| Particulars | Subsidiaries | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **A. Transactions** | | |
| **Purchase of goods** | | |
| LAVA International (HK) Limited | | |
| **Purchase of property, plant and equipment** | 172.18 | 498.96 |
| LAVA International (HK) Limited | | |
| **Investment made in subsidiaries** | 4.17 | 1.13 |
| Sojo Manufacturing Services Pvt Limited | | |
| Lava Technologies L.L.C | 11.21 | 2.30 |
| Lava Technologies DMCC | 20.79 | - |
| **Investment realised in subsidiaries** | 338.50 | - |
| Lava (Mexico) Limited | | |
| **Expenses incurred on behalf of related parties** | - | 13.97 |
| Sojo Manufacturing Services Private Limited | 82.28 | - |
| Lava Technologies | - | 0.20 |
| Lava Technologies DMCC | - | 10.28 |
| **Margin charged on Expenses incurred on behalf of related parties** | 6.08 | - |
| LAVA International (HK) Limited | | |
| Lava Technologies DMCC | 11.11 | - |
| **Commission Charged on Bank guarantee** | 0.82 | - |
| LAVA International (HK) Limited | | |
| **Advances given** | 13.65 | - |
| Lava International (H.K.) Limited | | |
| XOLO International (H.K.) Limited | - | 338.29 |
| **Discount received** | 283.81 | 290.31 |
| LAVA International (H.K.) Limited | | |
| **Export Sales** | - | 23.51 |
| LAVA International (H.K.) Limited | | |
| Lava Technologies DMCC | 38.68 | - |
| XOLO International (H.K.) Limited | 5.15 | - |
| **B. Amount due to / from related parties** | 360.65 | - |
| **Payables** | | |
| Lava International (H.K.) Limited | | |
| Lava Technologies DMCC | 23.00 | 40.68 |
| **Advance from Customer** | - | 0.91 |
| Lava Technologies DMCC | | |
| **Other receivables** | 6.98 | - |
| Lava International (H.K.) Limited | | |
| Sojo Distribution Private Limited | 387.04 | - |
| Sojo Infratel Pvt Limited | - | 0.01 |
| Sojo Manufacturing Services (AP) Private Ltd | - | 0.01 |
| Sojo Manufacturing Services Private Ltd | 0.03 | 0.01 |
| Lava Technologies | 40.33 | 19.55 |
| Lava Technologies DMCC | - | 10.85 |
| **Trade receivable** | 5.99 | - |
| Lava International (H.K.) Limited | | |
| XOLO International (HK) Ltd | 18.76 | 5.43 |
| **Advance given** | 490.66 | - |
| XOLO International (H.K.) Limited | | |
| | 384.76 | 290.31 |

The Company have executed corporate guarantee for Nil amount (31 March 2018: USD 15.00 million) in favor of ICICI Bank Ltd, Hong Kong, on behalf of Lava International (HK) Limited, wholly owned subsidiary, for working capital & derivative facility. Lava International (HK) Limited has withdrawn/closed the sanctioned amount during Financial Year.

Lava International Limited
Notes to standalone financial statements for the year ending 31 March 2019
*(All amounts in Indian Rupees Million unless otherwise stated)*

| Particulars | Associate | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **A. Transactions** | | |
| **Sale of services** | | |
| MagicTel Solutions Private Limited | 22.68 | 76.11 |
| **B. Amount due from related parties** | | |
| **Trade receivable** | | |
| MagicTel Solutions Private Limited | 1.83 | 5.98 |

| Particulars | Parties in which Key Management Personnel of the Company are interested | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **A. Transactions** | | |
| **Services taken** | | |
| Air Express Worldwide Logistics | - | 0.76 |
| **Sale of property, plant and equipment** | | |
| Ultimate International Private Limited | - | 0.16 |
| **B. Amount due to / from related parties** | | |
| **Trade receivable** | | |
| Ultimate International Private Limited | 0.16 | 0.16 |
| **Payables** | | |
| Air Express Worldwide Logistics | 0.27 | 1.09 |

| Particulars | Controlled Trust | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| **A. Transactions** | | |
| **Advances given** | | |
| Lava Employee Welfare Trust | 33.33 | 0.02 |
| **Advances received back** | | |
| Lava Employee Welfare Trust | - | 6.26 |
| **B. Amount due from related parties** | | |
| Lava Employee Welfare Trust | 66.03 | 58.75 |

| Particulars | Remuneration of Key Management Personnel | |
|---|---|---|
| | 31 March 2019 | 31 March 2018 |
| Short-term employee benefits | 75.52 | 64.71 |
| Post-employment benefits | 1.43 | 1.58 |

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and their settlement occurs in cash. For the year ended 31 March 2019 and 31 March 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Million unless otherwise stated)

## 31 Commitments and contingencies

### (a) Leases

The Company has taken commercial leases for certain offices and warehouses expiring within one to nine years. The leases have escalation clauses ranging from 5% to 7% per annum. On renewal, the terms of the leases are negotiated.

The Company has taken commercial leases for certain offices and warehouses, the lease rentals charged during the year for cancellable / non-cancellable leases are as follows :

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Lease rentals for cancellable / non-cancellable leases | 197.05 | 254.31 |

Future minimum rentals payable under non-cancellable operating leases are as follows:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Within one year | 9.33 | 32.76 |
| After one year but not more than five years | 10.50 | 18.25 |
| More than five years | 6.58 | 9.78 |

There are no subleases and lease restrictions on the lease arrangements

### (b) Capital and other commitments

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| (a) Estimated amount of contracts to be executed on capital account [net of capital advances amounting to Nil million (31 March 2018: 0.19 million) and not provided for] | 0.13 | 5.32 |

### (c) Contingent liabilities

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Bank guarantees | 233.34 | 417.81 |
| Claims against the Company not acknowledged as debts (excluding cases where the possibility of any outflow in settlement is remote): | | |
| (i) Sales tax demands [refer note (a)] (amount paid under protest Rs. 72.78 million (31 March 2018: Rs.60.16 million)) | 229.17 | 204.23 |
| (ii) Others [refer note (b)] (amount paid under protest Rs. 143.27 million (31 March 2018: Rs. 143.27 million)) | 143.27 | 143.27 |
| | 606.06 | 765.32 |

*(This space has been intentionally left blank)*

(a) Sales tax demands

• The Hon'ble Supreme Court of India vide its order dated 17 December 2014 in the case of State of Punjab Vs. Nokia India Pvt. Limited, has held that the mobile charger contained in the mobile phone retail pack is an independent part and shall be separately charged to VAT at rate as applicable to the chargers. The appellant has already approached the Hon'ble Supreme Court in a review petition challenging the judgement. In view of this judgement, the VAT Authorities of various states have raised demands along with interest and penalties aggregating to Rs. 187.46 million (31 March 2018: Rs. 175.97 million). The Company has filed appeal against these demands. Amount paid under protest against demands amounting to Rs. 43.07 million (31 March 2018: Rs. 12.13 million) have been disclosed under balance with statutory/government authorities in other assets.

Based on the legal assessment, management believes that the possibility of materialising sales tax demands is low. Accordingly, no provision is made in the financial statements for such demands.

• Sales tax demands received of Rs 41.71 million (31 March 2018 : Rs. 28.28 million) (Amount paid under protest of Rs 9.71 million (31 March 2018 : Rs. 7.99 million)) from various sales tax authorities for which the management believes that the possibility of materialising the demand is remote.

(b) Others

• M/s Telefonaktiebolaget LM Ericsson ('Ericsson') filed a suit for infringement of patents against the Company in the month of March 2015. The said Suit was part of the series of suits being filed by Ericsson against many mobile handset manufacturers in India. During 2015, the Company has filed a counter civil suit against Telefonaktiebolaget LM Ericsson ('Ericsson') before the Hon'ble District Court, Gautam Budh Nagar due to certain breaches.

Subsequent to Lava's institution of the suit in the District Court of Gautam Buddha Nagar, Ericsson has filed a suit for permanent injunction against the Company before Hon'ble High Court, Delhi, on 23 March 2015 for infringement of Ericsson's certain patents.

Hon'ble District Court, Gautam Budh Nagar has issued notice to Ericsson. Before Ericsson filed its written statement, on application of the parties, Hon'ble Supreme Court ordered for transfer of the matter to Delhi High Court vide its order dated 31 July 2015 and the same is clubbed with the pending suit of Ericsson before the Delhi High Court.

Hon'ble High Court, Delhi vide its order dated 22 June 2016 has passed an interim order wherein the Company was injuncted from manufacturing, importing, selling its devices, subject to the condition of deposit of Rs. 300.00 million with the Registrar General of Delhi High Court. However, the operation of Interim Order was stayed till the final disposal of the main suit. The Company has complied with the said order and deposited a sum of Rs. 300.00 million. Presently the aforesaid appeal is pending adjudication before the Delhi High Court and the suit is now posted for final arguments in January 2020. Based on legal advice the Company does not expect any financial statement exposure upon final settlement and accordingly no provision has been made in the financial statement of the Company.

Apart from above, there is no claim/case being contested with any other standard essential patent providers and the Company is confident that there is no infringement of patents.

• In certain States, an entry tax is levied on receipt of material from outside the State. This position has been challenged by the Company in the respective States, on the grounds that the specific entry tax is ultra vires the Constitution. The Company has been paying entry tax and recording the amount of Rs. 143.27 million (31 March 2018: Rs 143.27 million) as recoverable. The amount has been disclosed under "Balance with statutory/government authorities". The Company based on legal opinion is of the view that the entry tax being paid is not constitutional and the Company expects the refund ultimately.

On 01.03.2017, Research and Collaboration Agreement ("RCA") was executed between the Company, Mindfectuals LLP and Nokia Technologies as a confirming party. Under the RCA, the parties were to explore and work towards the possibility of technical and research collaborations between Mindfectuals/Nokia and the Company. The Company made payments to Mindfectuals LLP under the RCA, with a view to receive the Research and Collaboration deliverables exchanged under the Agreement. The Parties also agreed not to challenge/assert any legal rights in relation to Technically Necessary Patents during the term of this agreement. The payments in question were being made by the Company in lieu of the monetary consideration/promise/obligation of Mindfectuals/Nokia to enable and assist research and collaboration in terms of the RCA. However, it is a matter of fact that nothing under the RCA was ever delivered by Mindfectuals/Nokia Technologies to the Company. As a result, the Company declared the RCA as frustrated and repudiated. As a result of the dispute between Mindfectuals and the Company, Mindfectuals initiated arbitration proceedings for recovery of amounts allegedly due to it under the RCA. The Company has denied liability to pay any amount to Mindfectuals and also sought refund of the entire amounts already paid on the ground that the Agreement stood frustrated/repudiated. Since Mindfectuals has categorically denied any research and collaboration benefit to the Company under the RCA and has in fact taken a stand there is no research and collaboration deliverable under the scope of the agreement. The aforesaid arbitration proceedings are going on. Management has also taken legal opinion from the lawyers and accordingly this amount of Rs. 158.19 million paid by company under this agreement is fully recoverable on good legal grounds.

· Other claims against the Company, not acknowledged as debt towards a legal claim filed by vendor is NIL (31 March 2018: Rs. 70.00 million).

*(This space has been intentionally left blank)*

(All amounts in Indian Rupees Millions unless otherwise stated)

32. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

| S. No. | Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|---|
| 1 | The principal amount remaining unpaid to any supplier as at the end of each accounting year | 20.09 | Nil |
| 2 | The interest due thereon remaining unpaid to any supplier as at the end of each accounting year | Nil | Nil |
| 3 | The amount of interest paid by the buyer in terms of section 16 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | Nil | Nil |
| 4 | The 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 this Act | Nil | Nil |
| 5 | The amount of interest accrued and remaining unpaid at the end of each accounting year; and | Nil | Nil |
| 6 | The 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 | Nil | Nil |

33 Pursuant to the requirement of section 135 of Companies Act, 2013 and rules thereon, the Company was required to spend Rs 17.49 (31 March 2018: Rs 40.39 million) on corporate social responsibility. During the year the Company has spent Nil amount (31 March 2018: Rs. 0.92 million), on various CSR activities for purpose other than construction or acquisition of any asset.

34 Import of mobile phones duly attracts Special Duty of Customs in lieu of Excise (CVD) which is equivalent to excise duty applicable on like goods as if manufactured or produced in India. Accordingly, mobile phones manufactured in India are subject to excise duty at the rate of 13.5% (including NCCD of 1%) if Cenvat Credit on inputs and capital goods is availed (rate of duty was 7.21% (including NCCD of 1%) till 28 February 2015) and 2% (including NCCD of 1%) if such Cenvat Credit on inputs and capital goods is not availed.

This has been further clarified by the Hon'ble Supreme Court of India in the matter of M/S SRF Limited in Civil Appeal No. 9460 of 2003 by ruling that the benefit of exemption / concessional rate of excise duty, which is subject to a condition that no Cenvat credit on inputs or capital goods used in the manufacture of such goods shall be taken, is also available to the importer of like goods for payment of CVD under Customs.

During the financial years 2014 -2015 and 2015 - 2016, the Company was clearing the imported mobile phones by paying CVD of customs at higher rate of 7.21% before 1 March 2015 and 13.50% from 1 March 2015 instead of 2% during respective periods. The Company got re-assessed bills of entries amounting to Rs 838.47 million during the financial year 2017-18. Post clarification issued by the Hon'ble Supreme Court in M/s SRF case discussed above, and after re-assessment of bills of entries, the above said CVD amount became fully recoverable. Accordingly, the Company has claimed refund as per the Customs Act 1962.

The total amount recoverable amounting to Rs. 827.30 million (31 March 2018: Rs. 1,240.29 million) (including recoverable charges for delayed payment amounting to Rs. 422.55 million (31 March 2018: Rs. 104.26 million)) one recorded, has been disclosed under "Balance with statutory/government authorities". For the purpose of income tax on the above duty paid and claimed as refund, the management has accordingly accrued Rs. 291.17 million (31 March 2018: Rs. 433.33 million) as deferred tax liability.

35 **Research and development expenditure**

The Company has duly carried out its research and development activities during the year and the details of related expenditure are given below:

| Particulars | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Amount charged to Statement of Profit and Loss | [illegible] | [illegible] |
| Amount capitalised | | |
| - Property, plant and equipment | 17.25 | 11.56 |
| | 117.20 | [illegible] |

(All amounts in Indian Rupees Million unless otherwise stated)

36 Employee stock option plans:

The plans existing during the year are as follows:

| | |
|---|---|
| **Number of options approved** | 10,343,100 |
| **Method of settlement (Cash / Equity)** | Equity |
| **Vesting conditions** | The employee should be on roll of the Company |

The details of activity under ESOP Schemes have been summarised below:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| Outstanding at the beginning of year | 5,046,840 | 41.62 | 2,305,560 | 30.88 |
| Options granted during the year | - | - | 3,259,800 | 43.81 |
| Exercised / Settled during the year | 10,000 | 43.81 | 518,520 | 7.62 |
| Outstanding at the end of the year | 5,036,840 | 41.62 | 5,046,840 | 41.62 |
| Exercisable as at end of the year | 5,036,840 | 41.62 | 1,787,040 | 37.63 |

The details of the ESOP outstanding are as follows:

| Range of exercise price per share | Options Outstanding as at 31 March 2019 | | | Options Outstanding as at 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | No. of shares arising out of options | Weighted Average remaining contractual life | Weighted Average Exercise price | No. of shares arising out of options | Weighted Average remaining contractual life | Weighted Average Exercise price |
| Rs 1 - Rs 12.5 | - | - | - | - | - | - |
| Rs 12.5 - Rs 25 | 267,240 | 5.85 | 18.58 | 267,240 | 6.85 | 18.58 |
| Rs 25 - Rs 37.5 | 679,800 | 7.27 | 30.86 | 679,800 | 8.27 | 30.87 |
| Rs 37.5 - Rs 50 | 3,609,800 | 0.11 | 43.81 | 3,619,800 | 1.01 | 43.81 |
| Rs 50 - Rs 62.5 | 480,000 | 0.78 | 53.20 | 480,000 | 0.78 | 53.20 |

The share based payment expense incurred during the year is shown in the following table:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| Expense arising from equity-settled share-based payment transactions | 4.45 | 95.06 |
| (Income) / Expense arising from settlement of options | (0.13) | 2.29 |
| | 4.32 | 97.35 |

Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Weighted average share price** | Rs 56.53 | Rs 56.53 |
| **Exercise Price** | Rs. 0.33 - 53.20 | Rs. 0.33 - 53.20 |
| **Expected Volatility** | 14.37% | 14.37% |
| **Life of the options granted (Vesting and exercise period) in years** | 2 years as follows :<br>**Vesting Period :**<br>+100% vesting at the end of first year from the date of grant;<br>**Exercise Period**: One year from the date of vesting | 2 years as follows :<br>**Vesting Period :**<br>+100% vesting at the end of first year from the date of grant;<br>**Exercise Period**: One year from the date of vesting |
| **Average risk-free interest rate** | 6.95% | 6.95% |
| **Weighted average fair value of stock options granted during the year** | Rs 18.47 | Rs 18.47 |

The expected life of the stock is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

There were no cancellations or modifications to the awards in the year ended 31 March 2019 and 31 March 2018. All amounts are considered post bonus.

(All amounts in Indian Rupees Million unless otherwise stated)

37 Previous year figures have been reclassed/regrouped, wherever considered necessary to make them comparable with those for the current year.

(a) The summary of regrouping related to standalone balance sheet as at 31 March 2018 are as follows:

| Particulars | Notes | 31 March 2018 | Regrouping | 31 March 2018 Regrouped |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Financial liabilities | | | | |
| Other financial liabilities | 10 (e) | - | 26.67 | 26.67 |
| | | - | 26.67 | 26.67 |
| **Current liabilities** | | | | |
| Financial liabilities | | | | |
| Other financial liabilities | 10 (e) | 1,008.66 | (26.67) | 981.99 |
| Other current liabilities | 12 (b) | 278.27 | 0.12 | 278.39 |
| Liabilities for current tax (net) | 13 | 195.27 | (0.12) | 195.15 |
| **Total liabilities** | | 1,482.20 | (26.67) | 1,455.53 |
| **TOTAL EQUITY AND LIABILITIES** | | 1,482.20 | - | 1,482.20 |

The above regroupings does not have material impact on the financial statements.

*(This space has been intentionally left blank)*

38 The Company has appointed independent consultants for conducting a transfer pricing study to determine whether the transactions with associated enterprises were undertaken at "arm's length price". The management confirms that all international transactions with associate enterprises are undertaken at negotiated contracted prices on usual commercial terms and is confident of there being no adjustments on completion of the study. Adjustments, if any, arising from the transfer pricing study shall be accounted for as and when the study is completed.

39 There are certain suppliers who had supplied to the Company. They have agreed to take the payments from our certain customers directly. Accounting impact of the same has been appropriately recognized in these financial statements.

40 The comparative financial information of the Company for the year ended 31 March 2018 were audited by other auditors "Walker Chandiok & Co LLP". Hence, auditors have relied upon the accuracy and completeness of carrying over opening balance sheet figures.

**For Suresh Surana & Associates LLP**
**Chartered Accountants**
**Firm's Registration No.: 121750W/W-100010**

**Rahul Singhal**
Partner
Membership No.: 096570

Place: Noida
Date: 17/10/2019

Chartered Accountants

**For and on behalf of the Board of Directors of**
**Lava International Limited**

**Hari Om Rai**
Managing Director
(DIN - 01101443)

**Shailendra Nath Rai**
Whole-Time Director
(DIN-00008417)

**Sanjeev Bose**
Chief Financial Officer

**Bharat Mishra**
Company Secretary
(Membership No.- ACS-35437)