S.R. BATLIBOI & CO. LLP
Chartered Accountants

22, Camac Street
3rd Floor, Block 'C'
Kolkata-700 016, India
Tel : +91 33 6615 3400
Fax : +91 33 6615 3750

INDEPENDENT AUDITOR'S REPORT

To the Members of **TITAGARH AGRICO PRIVATE LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **TITAGARH AGRICO PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are

S.R. Batliboi & Co. LLP Kolkata

appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the financial statements.

Basis for qualified opinion

The company has capitalised certain indirect expenses including business and market development amounting to Rs. 83,529,382 (including Rs. 33,220,171 recognised upto March 31, 2015) till December 31, 2015 as a prototype under intangible assets on the basis that the project has not started commercial production till December 31, 2015. This being a matter of management estimation and in the absence of adequate information on the evaluation of nature of activities performed during the period, we are unable to comment on the appropriateness of such capitalisation in terms of Accounting Standard 26 on Intangible Assets including any consequential adjustments that may be required in this regard in these financial statements. A similar qualification had been given in the auditor's report for the year ended March 31, 2015.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements give the information required by 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, 2016, its loss and its cash flows for the year ended on that date.

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 1 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, except for the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    b) Except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

S R Batliboi & Co. LLP
Kolkata

d) Except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

e) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company.

f) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Companies Act, 2013;

g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

h) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;

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

    i. The Company does not have any pending litigations which would impact its financial position;

    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 S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

S.R. Batliboi & Co. LLP
Kolkata

per Kamal Agarwal
Partner
Membership Number: 058652
Place of Signature: Kolkata
Date: May 25, 2016

Annexure 1 to the Auditor's Report

Referred to in our report of even date to the members of TITAGARH AGRICO PRIVATE LIMITED as at and for the year ended March 31, 2016

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

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, 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) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

(ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits from the public.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

S R Batliboi & Co. LLP
Kolkata

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

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

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a bank or debenture holder. The Company did not have any outstanding dues in respect of a financial institution or to government during the year.

(ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

S R Batliboi & Co. LLP Kolkata

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S. R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Kamal Agarwal
Partner
Membership Number: 058652
Place of Signature: Kolkata
Date: May 25, 2016

S.R. Batliboi & Co. LLP Kolkata

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF TITAGARH AGRICO PRIVATE LIMTED

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 TITAGARH AGRICO PRIVATE LIMITED ("the Company") as of March 31, 2016, 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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.

Auditor's 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 as specified 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.
An 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the internal financial controls 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2016:

Attention is drawn to Basis for qualified opinion paragraph of Auditors' Report on Financial Statements more fully described therein, resulting to capitalisation of certain indirect expenses including business and market development during the year as a prototype under intangible assets on the basis that the project has not started commercial production till December 31, 2015, which could potentially result in misstatements of Company's intangible assets.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of March 31, 2016, based on the internal control

S R Batliboi & Co. LLP Kolkata

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, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of March 31, 2016.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act, the financial statements of Titagarh Agrico Private Limited, which comprise the Balance Sheet as at March 31, 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Material weakness as described above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of Titagarh Agrico Private Limited and this report does not affect our report dated May 25, 2016, which expressed a qualified opinion on those financial statements.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

S.R. Batliboi & Co. LLP
Kolkata

per Kamal Agarwal
Partner
Membership Number: 058652
Place of Signature: Kolkata
Date: May 25, 2016

Titagarh Agrico Private Limited
Balance Sheet as at 31 March 2016

	Notes	As at March 31, 2016 Amount in Rs.	As at March 31, 2015 Amount in Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	244,722,000	140,000,000
Reserves and Surplus	4	(43,009,254)	(6,871,235)
Money received against Share Warrants		1,528,000	1,000,000
		203,240,746	134,128,765
Application money for Equity Share Warrants pending allotment		500,000	-
Non - Current liabilities			
Long - term Borrowings	5	-	49,500,000
Other Long-term liabilities	6	10,490,000	2,300,000
Long - term Provisions	7	1,223,828	1,252,332
		11,713,828	53,052,332
Current liabilities			
Short - term borrowings	8	18,167,478	-
Trade Payables	9.1		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		47,978,103	16,695,124
Other current liabilities	9.2	18,114,233	10,922,817
Short - term provisions	7	2,562,451	1,025,385
		86,822,265	28,643,326
TOTAL		302,276,839	215,824,423
ASSETS			
Non - current assets			
Fixed assets			
i. Tangible assets	10	51,213,535	53,772,104
ii. Intangible assets	10	167,166,102	-
iii. Intangible assets under development	11B	3,692,132	121,307,956
Non - current investments	12	20,000	20,000
Loans and advances	13	105,060	1,907,138
Other non-current assets	14	2,153,652	1,910
		224,350,481	177,009,108
Current assets			
Inventories	15	60,217,565	24,301,903
Trade Receivable	16	8,983,195	-
Cash and bank balances	17	3,632,120	11,647,970
Loans and advances	13	5,077,191	2,865,442
Other current assets	14	16,287	-
		77,926,358	38,815,315
TOTAL		302,276,839	215,824,423
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our Report of even date

For S. R. Batliboi & Co. LLP
Firm Registration Number: 301003E/E300005
Chartered Accountants

per Kamal Agarwal
Partner
Membership No.: 058652

Place: Kolkata
Date: 25th May 2016

For and on behalf of board of directors of Titagarh Agrico Private Limited

Pranab Ghosal
Managing Director

Anil Kumar Agarwal
Director

Krishna Kumar Karwa

Krishna Kumar Karwa
Director

Nand Faundyan
Chief Financial Officer

S R Batliboi & Co. LLP
Kolkata

Titagarh Agrico Private Limited
Statement of Profit & Loss for the year ended 31 March 2016

	Notes	For the year ended March 31, 2016 Amount in Rs.	For the year ended March 31, 2015 Amount in Rs.
Income			
Revenue from operations (gross)	18	50,236,713	-
Less: Excise duty		123,023	-
Revenue from operations (net)		50,113,690	-
Other income	19	32,345	75,738
I. Total Revenue		50,146,035	75,738
II. Expenses			
Cost of raw materials & components consumed	20	49,737,071	-
Purchase of traded goods		1,743,025	-
(Increase) / Decrease in inventories of finished goods, Work in progress and traded goods	21	(15,939,894)	-
Employee benefits expenses	22	17,706,907	-
Depreciation and amortization expense	23	12,586,353	220,389
Finance Costs	24	2,137,396	688,618
Other expenses	25	18,313,196	3,513,333
Total Expenses		86,284,054	4,422,340
III. Loss before tax (I-II)		(36,138,019)	(4,346,602)
IV. Tax expense		-	-
V. Loss for the year (III-IV)		(36,138,019)	(4,346,602)
Basic and diluted earnings per equity share [nominal value of share Rs. 10 (31st March 2015: Rs.10)]	26	(2.17)	(0.52)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our Report of even date

For S. R. Batliboi & Co. LLP
Firm Registration Number: 301003E/E300005
Chartered Accountants

per Kamal Agarwal
Partner
Membership No.: 058652

Place: Kolkata
Date: 25th May 2016

For and on behalf of board of directors of Titagarh Agrico ~~Private Limited~~

Pranab Ghosal
Managing Director

Anil Kumar Agarwal
Director

Krishna Kumar Karwa

Krishna Kumar Karwa
Director

Nand Faundyan
Chief Financial Officer

S R Batliboi & Co. LLP Kolkata

Titagarh Agrico Private Limited

CASH FLOW STATEMENT For the year ended March 31,2016	For the year ended March 31, 2016 Amount in Rs.	For the year ended March 31, 2015 Amount in Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before tax	(36,138,019)	(4,346,602)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization expense	12,586,353	220,389
Loss on sale of fixed assets	7,098	-
Interest expense	893,473	687,525
Interest income	(32,345)	(1,910)
Operating Loss before Working Capital Changes	(22,683,440)	(3,440,598)
Movements in working capital :		
Increase in Trade Payables	31,282,977	19,684,241
Increase in Provisions	1,508,562	2,197,285
Increase in Other Liabilities	14,784,303	-
(Increase) in Trade Receivable	(8,983,195)	-
(Increase) in Inventories	(35,915,662)	(16,101,912)
(Increase) in Loans & Advances	(4,372,749)	(1,120,233)
(Increase) in Current Assets	(1,742)	-
	(1,697,506)	4,659,382
Cash (used in)/ generated from operations	(24,380,946)	1,218,784
Direct taxes paid	(3,060)	-
Net Cash flow (used in)/ generated from Operating activities (A)	(24,384,006)	1,218,784
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including CWIP and capital advances	(56,589,729)	(159,836,899)
Proceeds from sale of fixed assets	30,400	-
Interest received	16,058	-
Net Cash flow used in Investing Activities (B)	(56,543,271)	(159,836,899)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of equity share capital	104,722,000	118,750,000
Money received against Share Warrants	528,000	1,000,000
Equity warrant application money pending allotment	500,000	-
Net movement in short term borrowings	18,167,478	-
Proceeds from long-term borrowings	-	49,500,000
Repayment of Long Term Borrowings	(49,500,000)	-
Interest paid	(1,506,051)	-
Net Cash flow generated from Financing activities (C)	72,911,427	169,250,000
Net (Decrease)/ Increase in cash & cash equivalent (A+B+C)	(8,015,850)	10,631,885
Cash and cash equivalents at the beginning of the year	11,647,970	1,016,085
Cash and cash equivalents at the end of the year	3,632,120	11,647,970
Components of cash and cash equivalents:		
Cash on hand	91,085	96,119
Balance with Banks:		
On Current Account	3,541,035	11,551,851
Total cash and cash equivalents (note 17)	3,632,120	11,647,970

As per our Report of even date

For S. R. Batliboi & Co. LLP
Firm Registration Number: 301003E/E300005
Chartered Accountants

per Kamal Agarwal
Partner
Membership No.: 058652

Place: Kolkata
Date: 25th May 2016

For and on behalf of board of directors of Titagarh Agrico Private Limited

Pranab Ghosal
Managing Director

Anil Kumar Agarwal
Director

Krishna Kumar Karwa
Director

Nand Faundyan
Chief Financial Officer

S R Batliboi & Co. LLP
Kolkata

Titagarh Agrico Private Limited
Notes to Financial Statements for the year ended March 31, 2016

1. **Corporate information**

Titagarh Agrico Private Limited (Formerly Titagarh Cranes Private Limited) (the Company) is a Private Company domiciled in India and incorporated on 24th March, 2012. The Company is engaged in manufacturing of all makes or kinds of agricultural and farm machinery / equipment including tractors, cranes and similar products. The Company primarily caters to the domestic market.

2. **Basis of preparation**

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those used in the previous year, except for the change in accounting policy explained below.

2.1 **Summary of Significant accounting policies**

a) Change in Accounting policy

i) Component accounting

The company has adopted component accounting as required under Schedule II to the Companies Act, 2013 from 1 April 2015. The company was previously not identifying components of fixed asset separately for depreciation purposes; rather, a single useful life/ depreciation rate was used to depreciate each item of fixed asset.

Due to application of Schedule II to the Companies Act, 2013, the company has changed the manner of depreciation for its fixed asset. Now, the company identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset. The company has used transitional provisions of Schedule II to adjust the impact of component accounting arising on its first application. If a component has zero remaining useful life on the date of component accounting becoming effective, i.e., 1 April 2015, its carrying amount, after retaining any residual value, is charged to the statement of profit and loss. The carrying amount of other components, i.e., components whose remaining useful life is not nil on 1 April 2015, is depreciated over their remaining useful lives.

The company has also changed its policy on recognition of cost of major inspection/ overhaul. Earlier company used to charge such cost directly to statement of profit and loss. On application of component accounting, the major inspection/ overhaul is identified as a separate component of the asset at the time of purchase of new asset and subsequently. The cost of such major inspection/ overhaul is depreciated separately over the period till next major inspection/ overhaul. Upon next major inspection/ overhaul, the costs of new major inspection/ overhaul are added to the asset's cost and any amount remaining from the previous inspection/ overhaul is derecognized.

There are no fixed assets identified wherein the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset, hence there is no impact in financial statements due to above change in accounting policy.

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

Saurav

S R Batliboi & Co. LLP Kolkata

c) Tangible Fixed Assets

Tangible Fixed Assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost of acquisition comprises of purchase price inclusive of duties (net of Cenvat/VAT), taxes, incidental expenses, erection/commissioning/trial run expenses and borrowing cost etc., up to the date the assets are ready for intended use.

Machinery spares which can be used only in connection with an item of fixed assets and whose use, as per technical assessment, is expected to be irregular, are capitalized and depreciated over the residual life of the respective assets.

Tangible fixed assets awaiting disposal are valued at the lower of written down value and net realizable value and disclosed separately.

Capital work-in-progress includes machinery to be installed and construction & erection materials lying in stock.

The company identifies and determines cost of components significant to the total cost of the asset having useful life that is materially different from that of the remaining life.

d) Intangibles

Research costs are expensed as and when 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.

Development expenditure recognized as an intangible asset is amortized on a straight line basis over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

e) Depreciation & amortization on tangible & intangible fixed assets

Tangible Assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The company has used the following rates to provide depreciation on its fixed assets.

	Useful lives estimated by the management (years)
Factory buildings	30
Plant and equipment	15 - 20
Furniture and fixtures	8
Office equipment	8
Vehicles	5

S R Batliboi & Co. LLP Kolkata

Qaia V

Depreciation on fixed assets added / disposed off during the year, is provided on pro-rata basis with reference to the date of addition / disposal.
Leasehold improvements are amortized over the period of lease.

Intangible Assets
A summary of amortization policies applied to the company's intangible asset is as below:

	Rates (SLM)
Prototype	20%

f) Impairment of tangible and intangible fixed assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on the internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the assets' net selling price and value in use. In assessing the 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 risks specific to the asset.

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

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

A previously recognized impairment loss is increased or reversed depending on the changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

g) Inventories
Raw materials & Components and Stores & spares Parts are valued at lower of cost and net realizable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost include expenses incidental to procurement thereof and determined on a weighted average basis.

Goods under process and finished goods are valued at lower of cost and net realizable value. Cost includes direct materials, labour cost and a proportion of manufacturing overheads based on the normal operating capacity. The cost of finished goods and goods under process is determined on a weighted average basis.

Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

Obsolete/damaged stores and saleable scraps are valued at estimated net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods
Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods. The company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

Interest Income

S R Batliboi & Co. LLP
Kolkata