



## INDEPENDENT AUDITORS' REPORT

To the Members of HFCL Advance Systems Private Limited.

### Report on the Ind AS Financial Statements

We have audited the accompanying Indian Accounting Standards (Ind AS) Financial Statements of **HFCL Advance Systems Private Limited** ("the Company") which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "Ind AS financial statements").

### 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 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) prescribed under section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS 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 of the Ind AS financial statements in accordance with the Standards on Auditing 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 Ind AS Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the



appropriateness of the 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 Ind AS Financial Statements.

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 including the Ind AS, of the state of affairs of the Company as at 31 March 2018 and its loss, its cash flows and the changes in equity for the year ended on that date.

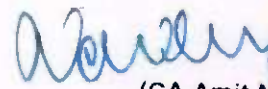
### Report on Other Legal and Regulatory Requirements


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-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 purpose 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, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account
  - d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act read with relevant rule issued thereunder.
  - e. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2018 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 and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'.
  - g. 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 has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, and as required on long-term contracts. The Company does not have any derivative contracts.



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

For **OSWAL SUNIL & COMPANY**  
Chartered Accountants  
Firm Registration No. 016520N

  
(CA Amit Nigam)  
Partner  
Membership No. 513504



Place: New Delhi  
Date: 01/05/2018

## 'ANNEXURE A' TO THE INDEPENDENT AUDITORS' REPORT

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

- i.
  - (a) Based on the scrutiny of the books of accounts and other records and according to the information and explanations given to us, we are of the opinion that the question of commenting on maintenance of proper records of fixed assets does not arise since the company has no fixed assets as on 31st March 2018 nor at any time during the financial period ended 31st March 2018.
  - (b) According to the information and explanations received by us, as the company owns no immovable properties, the requirement on reporting whether title deed of immovable properties held in the name of company is not applicable.
- ii. As the company has not purchased/sold goods during the period nor is there any closing stock, requirement of reporting on physical verification of stock or maintenance of inventory records, in our opinion, does not arise.
- iii. 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, the provisions of paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013, with respect to the loans and investments.
- v. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2014 with regard to the deposits accepted from the public are not applicable.
- vi. According to the information and explanation provided by the management, the company is not engaged in production of any such goods or provision of any such services for which the Central Government has prescribed particulars relating to utilization of material or labour or other items of cost. Hence, the provisions of section 148(1) of the Act do not apply.
- vii.
  - a. According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been regular in depositing undisputed statutory dues including income-tax and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as on 31<sup>st</sup> March, 2018 for a period of more than six months from the date on when they become payable.
  - b. According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, service tax, goods and services tax, duty of customs, duty of excise, value added tax outstanding as at 31st March, 2018, which have not been deposited with the appropriate authorities on account of any dispute.



- viii. In our opinion and according to the information and explanations given to us, the Company has not borrowed from financial institutions or banks or government or issued debenture till 31st March, 2018. Hence, in our opinion, the question of reporting on default in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders does not arise.
- ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the period. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- x. According to the information and explanation given to us and based on our examination, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.
- xi. The Company has not paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act. Accordingly, paragraph 3 (xi) of the Order is not applicable.
- xii. In our opinion, the Company is not a nidhi company. Therefore, the provisions of paragraph 3 (xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, in our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv. 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/debentures during the year and hence the reporting on compliance of section 42 of the Companies Act, 2013 under provisions of paragraph 3 (xiv) of the Order are not applicable.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, 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.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of paragraph 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For Oswal Sunil & Company  
Chartered Accountants  
Firm Registration No. 016520N

  
(CA Amit Noor Khan)  
Partner  
Membership No. 513504



Place: New Delhi  
Date: 01/05/2018

## **'ANNEXURE B' TO THE INDEPENDENT AUDITORS' REPORT**

(Referred to in paragraph 2(f) under 'Report on other Legal and Regulatory Requirements' section of our report of even date)

### **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 **HFCL Advance Systems Private Limited** ('the Company') as of 31<sup>st</sup> March, 2018 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 ICAI. 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 judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls 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 unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

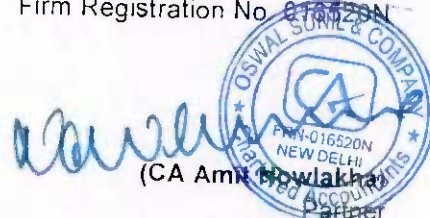
#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

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 on 31st March, 2018, 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 OSWAL SUNIL & COMPANY  
Chartered Accountants  
Firm Registration No. 276028N



Membership No. 513504

Place: New Delhi  
Date: 01/05/2018

**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**

(All amounts are in Rs.)

Balance Sheet as on 31st March, 2018

| Assets                                  |  | Note No. | As at<br>March 31,<br>2018 | As at<br>March 31,<br>2017 |
|---|--|----------|----------------------------|----------------------------|
| Non-current Assets                      |  |          | -                          | -                          |
| Total non-current assets                |  |          | -                          | -                          |
| Current Assets                          |  |          |                            |                            |
| (a) Financial Assets                    |  |          |                            |                            |
| (i) Cash & cash equivalents             |  | 4        | 51,984                     | 63,172                     |
| (ii) Bank balances other than (i) above |  |          | -                          | -                          |
| (b) Other current assets                |  |          | -                          | -                          |
| Total current assets                    |  |          | 51,984                     | 63,172                     |
| Total Assets                            |  |          | 51,984                     | 63,172                     |
| Equity and Liabilities                  |  | Note No. | As at<br>March 31,<br>2018 | As at<br>March 31,<br>2017 |
| Equity                                  |  |          |                            |                            |
| (a) Equity Share capital                |  | 5        | 1,00,000                   | 1,00,000                   |
| (b) Other Equity                        |  | 5        | -2,49,679                  | (1,41,779)                 |
| Total Equity                            |  |          | (1,49,679)                 | (41,779)                   |
| Liabilities                             |  |          |                            |                            |
| Non-current Liabilities                 |  |          |                            |                            |
| Total non-current liabilities           |  |          | -                          | -                          |
| Current Liabilities                     |  |          |                            |                            |
| (a) Other current liabilities           |  | 6        | 2,01,662                   | 1,04,950                   |
| Total current liabilities               |  |          | 2,01,662                   | 1,04,950                   |
| Total Liabilities                       |  |          | 2,01,662                   | 1,04,950                   |
| Total equity and liabilities            |  |          | 51,984                     | 63,172                     |

As per our report of even date attached

**For Oswal Sunil & Company**  
Chartered Accountants  
Firm Registration Number: 016520N

*[Signature]*  
CA Amit Nowlakha  
Partner  
Membership No: 513584



Place : New Delhi  
Date : 01-05-2018

For and on behalf of the Board

*[Signature]*  
*[Signature]*  
Dr. R.M. Kastia  
Director  
DIN : 00053059

*[Signature]*  
Y. L. Agarwal  
Director  
DIN : 00024770

Place : New Delhi  
Dated: 01-05-2018

**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**  
 (All amounts are in Rs.)  
**Statement of Profit and loss for the year ended 31st March, 2018**

| Particulars |   | Note No. | For the year ended |                |
|-------------|---|----------|--------------------|----------------|
|             |   |          | March 31, 2018     | March 31, 2017 |
| <b>I.</b>   | <b>INCOME</b>   |          |                    |                |
|             | Other Income  |          |                    |                |
|             | <b>Total Revenue (I)</b>  | 7        | -                  | 260            |
| <b>II.</b>  | <b>EXPENSE</b>  |          |                    |                |
|             | Finance Cost  | 8        | 1,840              | 1,955          |
|             | Other Expenses  | 9        | 50,044             | 50,044         |
|             | <b>Total Expenses (II)</b>  |          | 1,07,900           | 51,999         |
| <b>III</b>  | <b>Profit / (loss) before exceptional items and income tax (I-II)</b> |          | (1,07,900)         | (51,739)       |
| <b>IV</b>   | Exceptional item (net of tax)   |          | -                  | -              |
| <b>V</b>    | <b>Profit / (Loss) before tax (III - IV)</b>                          |          | (1,07,900)         | (51,739)       |
| <b>VI</b>   | <b>Tax expense</b>  |          |                    |                |
|             | Current tax   |          | -                  | -              |
|             | MAT Credit Entitlement  |          | -                  | -              |
|             | Deferred Tax  |          | -                  | -              |
| <b>VIII</b> | <b>Profit/(loss) for the period (V-VI)</b>                            |          | (1,07,900)         | (51,739)       |


| Particulars |   | Note No. | For the year ended 'March 31, 2018 | For the year ended 'March 31, 2017 |
|-------------|---|----------|------------------------------------|------------------------------------|
| <b>IX</b>   | <b>Other Comprehensive Income</b>                             |          |                                    |                                    |
|             | A.) Items that will not be reclassified to profit or loss     |          | -                                  | -                                  |
|             | B.) Items that will be reclassified to profit or loss;        |          | -                                  | -                                  |
|             | <b>Other comprehensive income for the year after tax (IX)</b> |          | -                                  | -                                  |

| Particulars |  | Note No. | For the year ended 'March 31, 2018 | For the year ended 'March 31, 2017 |
|-------------|--|----------|------------------------------------|------------------------------------|
| <b>X</b>    | <b>Total comprehensive income for the year (VIII+IX)</b> |          | (1,07,900)                         | (51,739)                           |
|             | Basic earnings per share                                 | 10       | (10.79)                            | (5.17)                             |
|             | Diluted earnings per share                               | 10       | (10.79)                            | (5.17)                             |

As per our report of even date attached.

**For Oswal Sunil & Company**  
 Chartered Accountants  
 Firm Registration Number: 016520N

*Amit Nowlakha*  
 CA Amit Nowlakha  
 Partner  
 Membership No: 51350



Place : New Delhi  
 Date : 01-05-2018

**For and on behalf of the Board of Directors**

*Ron Kastia*  
 Dr. R.M. Kastia  
 Director  
 DIN : 00053059

*Y. L. Agarwal*  
 Y. L. Agarwal  
 Director  
 DIN : 00024770

Place : New Delhi  
 Dated: 01-05-2018


**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**  
 (All amounts are in Rs.)  
**Statement of Cash Flow for the year ended 31st March, 2018**

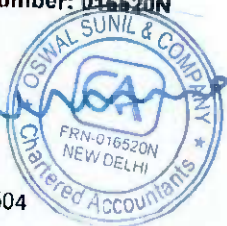
| Particulars |  | For the year ended | For the year ended |
|-------------|--|--------------------|--------------------|
|             |  | March 31,<br>2018  | March 31,<br>2017  |
| <b>I.</b>   | <b>Cash Flow From Operating Activities</b>                       |                    |                    |
|             | Profit before income tax   | (1,07,900)         | (51,739)           |
|             | <b>Adjustments for</b>   |                    |                    |
|             | Dividend and interest income classified as investing cash flows  | -                  | (260)              |
|             | <b>Change in operating assets and liabilities</b>                |                    |                    |
|             | (Increase)/decrease in other current assets                      | -                  | -                  |
|             | Increase in other current liabilities                            | -                  | -                  |
|             | <b>Cash generated from operations</b>                            | 96,712             | 23,100             |
|             | Income taxes paid  | (11,188)           | (28,899)           |
|             | <b>Net cash inflow from operating activities</b>                 | (11,188)           | (28,899)           |
| <b>II</b>   | <b>Cash flows from investing activities</b>                      |                    |                    |
|             | Investments in Fixed Deposits                                    | -                  | 50,000             |
|             | Interest received  | -                  | 4,409.00           |
|             | <b>Net cash outflow from investing activities</b>                | -                  | 54,409             |
| <b>III</b>  | <b>Cash flows from financing activities</b>                      |                    |                    |
|             | <b>Net cash inflow (outflow) from financing activities</b>       | -                  | -                  |
| <b>IV</b>   | <b>Net increase (decrease) in cash and cash equivalents</b>      |                    |                    |
| <b>VI</b>   | Cash and cash equivalents at the beginning of the financial year | (11,188)           | 25,510             |
|             | Effects of exchange rate changes on cash and cash equivalents    | 63,172             | 37,662             |
| <b>VII</b>  | <b>Cash and cash equivalents at end of the year</b>              | 51,984             | 63,172             |

Reconciliation of cash and cash equivalents as per the cash flow statement

| Particulars  | March 31,<br>2018 | March 31,<br>2017 |
|--|-------------------|-------------------|
| Cash and cash equivalents as per above comprise of the following |                   |                   |
| Cash and cash equivalents (note 4)                               | 51,984            | 63,172            |
| Balances per statement of cash flows                             | 51,984            | 63,172            |

For Oswal Sunil & Company  
 Chartered Accountants  
 Firm Registration Number: 016520N

  
 CA Amit Nowlakhia  
 Partner  
 Membership No: 513504

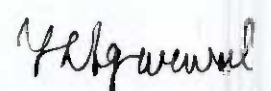


Place : New Delhi  
 Dated: 01-05-2018

For and on behalf of the Board of Directors

  
 Dr. R.M. Kastia  
 Director  
 DIN : 00053059

Place : New Delhi  
 Dated: 01-05-2018

  
 Y. L. Agarwal  
 Director  
 DIN : 00024770

Place : New Delhi  
 Dated: 01-05-2018

**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**  
 (All amounts are in Rs.)  
**Statement of Changes in Equity for the period ended 31st March, 2018**

**Equity Share Capital**

(Figures in Rs.)

| Particulars                     | Amount   |
|---------------------------------|----------|
| As at March 31, 2017            | 1,00,000 |
| Changes in equity share capital | -        |
| As at March 31, 2018            | 1,00,000 |

**Other equity**

|   | Reserves and Surplus                      |                            |                   | Other Comprehensive Income  | Total      |
|---|---|----------------------------|-------------------|---|------------|
|   | Share application money pending allotment | Securities Premium Reserve | Retained Earnings | Remeasurement of defined benefit plans - Other Comprehensive Income |            |
| Balance as at April 1, 2016                               | -   | -                          | (90,040)          | -   | (90,040)   |
| Changes in accounting policy or prior period errors       | -   | -                          | -                 | -   | -          |
| Restated balance at the beginning of the reporting period | -   | -                          | -                 | -   | -          |
| Total Comprehensive Income for the year                   | -   | -                          | -                 | -   | -          |
| Dividends   | -   | -                          | (51,739)          | -   | (51,739)   |
| Transfer to retained earnings                             | -   | -                          | -                 | -   | -          |
| Any other change (to be specified)                        | -   | -                          | -                 | -   | -          |
| Balance as at March 31, 2017                              | -   | -                          | -                 | -   | -          |
| Changes in accounting policy or prior period errors       | -   | -                          | (1,41,779)        | -   | (1,41,779) |
| Restated balance at the beginning of the reporting period | -   | -                          | -                 | -   | -          |
| Total Comprehensive Income for the year                   | -   | -                          | (1,07,900)        | -   | (1,07,900) |
| Dividends   | -   | -                          | -                 | -   | -          |
| Transfer to retained earnings                             | -   | -                          | -                 | -   | -          |
| Any other change (to be specified)                        | -   | -                          | -                 | -   | -          |
| Balance as at March 31, 2018                              | -   | -                          | (2,49,679)        | -   | (2,49,679) |

For Oswal Sunil & Company  
 Chartered Accountants  
 Firm Registration Number: 016520N

CA Amit Nowakha  
 Partner  
 Membership No: 513504

Place : New Delhi  
 Dated: 01-05-2018



For and on behalf of the Board of Directors

Dr. R.M. Kastia  
 Director  
 DIN : 00053059

Y. L. Agarwal  
 Director  
 DIN : 00024770

Place : New Delhi  
 Dated: 01-05-2018

(Figures in Rs.)

**Notes to the Financial Statements for the year ended March 31, 2018**  
**(All amounts are in Rupees unless otherwise stated)**

**1. Corporate information**

HFCL Advance Systems Private Limited is a private company incorporated under the provision of the Companies Act, 2013. The Company came into existence on 23<sup>rd</sup> February, 2015. The Company is a subsidiary company of Himachal Futuristic Communications Limited.

**2. Significant accounting policies**

**2.1. Basis of preparation**

**2.1.1. Compliance with Ind AS**

These financial statements have been prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time

**2.1.2. Historical Cost Convention**

The Standalone Financial Statements have been prepared on the historical cost basis except for the followings:

- certain financial assets and liabilities and contingent consideration that is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans plan assets measured at fair value; and

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Statements are presented in Indian Rupees except where otherwise stated.

**2.1.3. Use of estimates and judgements**

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Company to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

**2.2. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below



Deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with Ind AS 12 Income Tax and Ind AS 19 Employee Benefits respectively.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, then the gain is recognized in OCI and accumulated in equity as capital reserve.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Any impairment loss for goodwill is recognized in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

### 2.3. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

### 2.4. Fair value measurement

The Company measures financial instruments, such as, derivatives 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.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company categorizes assets and liabilities measured at fair value into one of three levels as follows:



- **Level 1 — Quoted (unadjusted)**

This hierarchy includes financial instruments measured using quoted prices.

- **Level 2**

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include the following:

- a) quoted prices for similar assets or liabilities in active markets.
- b) quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) inputs other than quoted prices that are observable for the asset or liability.
- d) Market – corroborated inputs.

- **Level 3**

They are un-observable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

## **2.5. Investments in subsidiaries, associates and joint ventures**

The Company records the investments in subsidiaries, associates and joint ventures at cost.

When the Company issues financial guarantees on behalf of subsidiaries, initially it measures the financial guarantees at their fair values and subsequently measures at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognized less cumulative amortization.

The Company records the initial fair value of financial guarantee as deemed investment with a corresponding liability recorded as deferred revenue. Such deemed investment is added to the carrying amount of investment in subsidiaries.

Deferred revenue is recognized in the Statement of Profit and Loss over the remaining period of financial guarantee issued.

## **2.6. Non-current assets held for sale**

Non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

## **2.7. Property Plant and Equipment**

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of eligible input taxes) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It include professional fees and borrowing costs for qualifying assets.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the statement of profit and loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use.



Depreciation is provided for on Buildings (including buildings taken on lease) and Plant & Machinery on straight line method and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

| Asset Class              | Useful Life   |
|--------------------------|---|
| Freehold Buildings       | Office Building : 60 years<br>Factory Building : 30 years |
| Leasehold Improvements   | Over the period of lease                                  |
| Plant & Machinery        | 7.5 - 15 years  |
| Furniture & Fixtures     | 10 years  |
| Electrical Installations | 10 years  |
| Computers                | 3 - 6 years   |
| Office Equipments        | 5 years   |
| Vehicles                 | 8 years   |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the company will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

## 2.8. Intangible Assets

### (i) Intangible assets

#### ➤ Recognition of intangible assets

##### a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

##### b. Research and development

Research expenditure and development expenditure that do not meet the criteria as below, are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The Company initially recognizes development expenses as intangible assets when The Company can demonstrate that:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset



- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is 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 over the period of expected future benefit. Amortization expense is recognized in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

### **c. Computer software**

Purchase of computer software used for the purpose of operations is capitalized. However, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Statement of Profit and Loss.

### **➤ De-recognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, 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.

### **(ii) Intangible assets under development**

All costs incurred in development, are initially capitalized as Intangible assets under development - till the time these are either transferred to Intangible Assets on completion or expensed as Software Development cost (including allocated depreciation) as and when determined of no further use.

## **2.9. 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

### **2.9.1. Financial assets**

#### ***Initial recognition and measurement***

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that The Company commits to purchase or sell the asset.

#### ***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized 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 amortized cost**

A 'debt instrument' is measured at the amortized 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.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

### **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 P&L. On derecognition of the asset, cumulative gain or loss previously recognized in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

### **Debt instrument at FVTPL**

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

In addition, The Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

### **Equity investments**

All equity investments are measured at fair value. 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. This amount is not recycled from OCI to P & L, 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 with all changes recognized in the P&L.

### **De-recognition**

A financial asset is de-recognized only when

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.



Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognized if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

#### ***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 amortized cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Lease receivables under Ind AS 17
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 17

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

#### **2.9.2. Financial liabilities**

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### ***Initial recognition and measurement***

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

#### ***Subsequent measurement***

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the statement of profit and loss.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### ***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



### Financial guarantee contracts

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.

## 2.10. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

## 2.11. Inventories

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

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

- Raw materials: 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 Cost Method.
- 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 Cost Method.
- 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 weighted average basis.
- Contract Work in Progress : It is valued at cost
- Loose Tools (Consumable) : It is valued at cost after write-off at 27.82% p.a.

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



## 2.12. Revenue recognition

### ➤ Sale of Goods and Rendering of Service

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue in respect of turnkey projects and services is recognized on completed contract method provided following conditions are satisfied:

- when the right to receive such income is established as per the terms of the contract.
- significant risks and rewards of ownership of the goods & services are transferred to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue is reported net of indirect taxes and adjustments made towards deduction and price variation wherever applicable. Escalation and other claims, which are not ascertainable/acknowledged by customers are not taken into account. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

### ➤ Interest income

For all debt instruments measured either at amortized cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR).

### ➤ Dividends

Revenue is recognized when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

### ➤ Rental income

Rental income arising from operating leases or on investment properties is accounted for on a straight-line basis over the lease terms and is included in other non-operating income in the statement of profit and loss.

### ➤ Insurance Claims

Insurance claims are accounted for as and when admitted by the concerned authority.

## 2.13. Excise and custom duty

Excise duty payable on production is accounted for on accrual basis. Provision is made in the books of accounts for customs duty on imported items on arrival and lying in bonded warehouse and awaiting clearance.

## 2.14. Leases

### *As a lessee*

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) 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.



### *As a lessor*

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases.

## **2.15. Foreign currency transactions**

The functional currency of the Company is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the Statement of profit and loss as income or expense.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

## **2.16. Employee Benefits**

### **Short term employee benefits:-**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### **Long-Term employee benefits**

Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

### **Post-employment obligations**

#### **i. Defined contribution plans**

##### **Provident Fund and employees' state insurance schemes**

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Statement of Profit and Loss. The Company has no further obligations under these plans beyond its monthly contributions.



ii. **Defined benefit plans**

**Gratuity**

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 (revised), "Employee Benefits". The Company makes periodic contributions to the HDFC Standard Life Insurance Company Ltd for the Gratuity Plan in respect of employees. The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

**Leave Encashment**

The Company has provided for the liability at period end on account of un-availed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

iii. **Actuarial gains and losses are recognized in OCI as and when incurred.**

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above), are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Financial Statements represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

**Termination benefits**

Termination benefits are recognized as an expense in the period in which they are incurred.

**2.17. Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.18. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

#### **2.19. Cash Flow Statement**

Cash flows are reported using the indirect method. The cash flows from operating, investing and financing activities of the Company are segregated.

#### **2.20. GST/Cenvat Credit**

The GST/CENVAT credit available on purchase of materials, other eligible inputs and capital goods is adjusted against taxes payable. The unadjusted GST/CENVAT credit is shown under the head "Other Current Assets".

#### **2.21. Earnings per share**

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

#### **2.22. Income taxes**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 Standalone Financial Statement. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.



**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**

(All amounts are in Rs.)

Notes to Financial Statements for the year ended March 31, 2018

**4 Current Financial Assets - Cash & cash equivalents**

| Particulars              | As at<br>March 31, 2018 | As at<br>March 31, 2017 |
|--------------------------|-------------------------|-------------------------|
| Cash & Cash Equivalents  |                         |                         |
| Balance with banks;      | 51,984                  | 63,172                  |
| Cheques, drafts on hand; | -                       | -                       |
| Cash on hands;           | -                       | -                       |
| <b>Total</b>             | <b>51,984</b>           | <b>63,172</b>           |



5 (a) Equity Share Capital

**Authorised Share Capital**

|                          | No of Shares | (In Rupees) |
|--------------------------|--------------|-------------|
|                          |              | Amount      |
| As at April 1, 2016      |              |             |
| Increase during the year | 1,00,000     | 10,00,000   |
| As at March 31, 2017     |              |             |
| Increase during the year | 1,00,000     | 10,00,000   |
| As at March 31, 2018     | 1,00,000     | 10,00,000   |

**Movement in Equity Share Capital**

|  | No of shares | Equity Share Capital par value |
|--|--------------|--------------------------------|
| As at April 1, 2016                      |              |                                |
| Add: Shares issued during the year       | 10,000       | 1,00,000                       |
| Add: Bonus shares issued during the year | -            | -                              |
| Less: Share bought back during the year  | -            | -                              |
| As at March 31, 2017                     | -            | -                              |
| Add: Shares issued during the year       | 10,000       | 1,00,000                       |
| Add: Bonus shares issued during the year | -            | -                              |
| Less: Share bought back during the year  | -            | -                              |
| As at March 31, 2018                     | 10,000       | 1,00,000                       |

**Equity Shares**

(i) Shareholders holding more than 5 percent of Equity Shares

| Name of Shareholder   | As at March 31, 2018<br>No. of share held | As at March 31, 2017<br>No. of share held |
|---|---|---|
| Himachal Futuristic Communications Limited i.e Holding Company<br>alongwith its nominee | 10,000                                    | 10,000                                    |
| <b>% of Holding</b>   | <b>100.00%</b>                            | <b>100.00%</b>                            |

5 (b) Other Equity

|                    | As at March 31, 2018 | As at March 31, 2017 |
|--------------------|----------------------|----------------------|
| Securities Premium | -                    | -                    |
| Retained Earnings  | (2,49,679)           | (1,41,779)           |
|                    | (2,49,679)           | (1,41,779)           |

(i) Securities Premium

|                          | Amount |
|--------------------------|--------|
| As at March 31, 2017     | -      |
| Increase during the year | -      |
| As at March 31, 2018     | -      |

(ii) Retained Earnings

|   | As at March 31, 2018 | As at March 31, 2017 |
|---|----------------------|----------------------|
| Opening Balance   |                      |                      |
| Net profit for the period   | (1,41,779)           | (90,040)             |
| Items of Other Comprehensive Income recognised directly in<br>Retained Earnings | (1,07,900)           | (51,739)             |
| Remeasurement of Defined benefit plans  | -                    | -                    |
| Equity Instruments measured at Fair value                                       | -                    | -                    |
| Closing Balance   | (2,49,679)           | (1,41,779)           |



**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**

(All amounts are in Rs.)

Notes to Financial Statements for the year ended March 31, 2018

**6 Other Current Liabilities**

| Particulars                      | As at<br>31-Mar-18 | As at<br>31-Mar-17 |
|----------------------------------|--------------------|--------------------|
| <b>Other Current Liabilities</b> |                    |                    |
| b) Others                        |                    |                    |
| Expenses Payables                | 2,01,662           | 1,04,950           |
| <b>Total</b>                     | <b>2,01,662</b>    | <b>1,04,950</b>    |

**7 Other Income**

| Particulars   | For the year<br>ended<br>31-Mar-18 | For the year<br>ended<br>31-Mar-17 |
|---|------------------------------------|------------------------------------|
| Liabilities/ provisions no longer required written back |                                    |                                    |
| Other non-operating income                              |                                    |                                    |
| Interest Income   |                                    |                                    |
| on Fixed Deposit  | -                                  | 260                                |
| <b>Total</b>  | <b>-</b>                           | <b>260</b>                         |



**HFCL ADVANCE SYSTEMS PRIVATE LIMITED**

(All amounts are in Rs.)

Notes to Financial Statements for the year ended March 31, 2018

**8 Finance costs / Finance Income (Net)**

| Particulars           | For the year ended<br>March 31,<br>2018 | For the year ended<br>March 31,<br>2017 |
|-----------------------|---|---|
| <b>Finance Costs:</b> |   |   |
| Bank Charges          | 1,840                                   | 1,955                                   |
|                       | <b>1,840</b>                            | <b>1,955</b>                            |

**9 Other expenses**

| Particulars                 | For the year ended<br>March 31,<br>2018 | For the year ended<br>March 31,<br>2017 |
|-----------------------------|---|---|
| Rent                        |   |   |
| Auditors' Remuneration      | 70,800                                  | -                                       |
| Office and General Expenses | 29,500                                  | 46,000                                  |
| Preliminary Expenses w/off  | 4,160                                   | 2,444                                   |
| Filing Fees                 | -                                       | -                                       |
| <b>Total</b>                | <b>1,600</b>                            | <b>1,600</b>                            |
|                             | <b>1,06,060</b>                         | <b>50,044</b>                           |

**10 Earning per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)**

| Basic & Diluted Earnings per share   | Year ended<br>March 31, 2018 | Year ended<br>March 31, 2017 |
|--|------------------------------|------------------------------|
|  | Rs.                          | Rs.                          |
| Profit /(Loss) after tax (Including Other Comprehensive Income)                                  | (1,07,900)                   | (51,739)                     |
| Less: Preference dividend  | -                            | -                            |
| Profit attributable to ordinary shareholders   | (1,07,900)                   | (51,739)                     |
| Weighted average number of ordinary shares<br>( used as denominator for calculating basic EPS)   | 10,000                       | 10,000                       |
| Weighted average number of ordinary shares<br>( used as denominator for calculating diluted EPS) | 10,000                       | 10,000                       |
| Nominal value of ordinary share  | <b>Re.10</b>                 | Re.10                        |
| Earnings per share basic   | (10.79)                      | (5.17)                       |
| Earnings per share diluted   | (10.79)                      | (5.17)                       |



**11 Critical accounting estimates and judgments**

The preparation of restated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgments are:

1. Estimation of contingent liabilities refer Note 13.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

**12 Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :**

There are no Micro, Small enterprise to whom the Company owes dues, which are outstanding for more than forty five days as at 31st March, 2018. The identification of Micro, Small enterprises and information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined on the basis of information available with the Company.

Particulars

|  | As at March 31, 2018 | As at March 31, 2017 |
|--|----------------------|----------------------|
| a. Principal amount due  | Nil                  | Nil                  |
| Interest due on above  | Nil                  | Nil                  |
| b. Interest paid during the period beyond the appointed day  | Nil                  | Nil                  |
| c. Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act.   | Nil                  | Nil                  |
| d. Amount of interest accrued and remaining unpaid at the end of the period  | Nil                  | Nil                  |
| e. 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 small enterprises for the purpose of disallowance as a deductible expenditure under Sec.23 of the Act | Nil                  | Nil                  |

**13 Commitments and Contingencies**

(a) Contingent Liabilities not provided for in respect of :

|   | As at<br>March 31, 2018<br>(Rs) | As at<br>March 31, 2017<br>(Rs) |
|---|---------------------------------|---------------------------------|
| (i) Unexpired Letters of Credit   | Nil                             | Nil                             |
| (ii) Guarantees given by banks on behalf of the Company   | Nil                             | Nil                             |
| (iii) Claims against the Company towards sales tax, income tax and others in dispute not acknowledged as debt | Nil                             | Nil                             |

(a) The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial position.

(b) The Company periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Company has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

(c) As at 31st March, 2018 the Company did not have any outstanding term derivative contracts.

**(b) Capital Commitments**

|  | As at<br>March 31, 2018<br>(Rs) | As at<br>March 31, 2017<br>(Rs) |
|--|---------------------------------|---------------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | Nil                             | Nil                             |

**14 Deferred Tax**

The Company does not have any item resulting into timing differences as at March 31, 2018 and therefore no provision for deferred tax is required.

**15 Related Party Disclosure:**

**A) Related Party Disclosure, as identified by the Management**

Related Parties where Control exists:

Himachal Futuristic Communications Limited (Holding Company)

Key Management Personnel:

Shri Mahendra Nahata, Director

Dr. Ranjit Mal Kastia, Director

Shri Yogeshwar Lal Agarwal, Director



B) Transactions with Related Parties

| Name of the Party                          | Description     | Volume of transactions during the year | Amount Payable as on 31.03.2018 |
|--|-----------------|--|---------------------------------|
| Himachal Futuristic Communications Limited | Payment of Rent | 60,000/-                               | 1,18,950/-                      |

16 In the opinion of the Board, Current Assets and Loans and Advances are of the value stated, if realized in the Ordinary course of business.

17 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Company's senior

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

|                                 | Notes Nos. | Carrying amount | Less than 12 months | More than 12 months |
|---------------------------------|------------|-----------------|---------------------|---------------------|
| <b>As at March 31, 2018</b>     |            |                 |                     |                     |
| Trade payables                  |            | -               | -                   | -                   |
| Deposits ( Retention Money)     |            | -               | -                   | -                   |
| Obligations under finance lease |            | -               | -                   | -                   |
| Other liabilities               | 6          | 2,01,662        | 2,01,662            | -                   |
| <b>As at March 31, 2017</b>     |            |                 |                     |                     |
| Trade payables                  |            | -               | -                   | -                   |
| Deposits ( Retention Money)     |            | -               | -                   | -                   |
| Obligations under finance lease |            | -               | -                   | -                   |
| Other liabilities               | 6          | 1,04,950        | 1,04,950            | -                   |

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 31 March 2017.

| POTENTIAL IMPACT OF RISK  | MANAGEMENT POLICY   | SENSITIVITY TO RISK  |
|---|---|--|
| <p><b>1. Price Risk</b></p> <p>The company is mainly exposed to the price risk due to its investment in equity instruments. The price risk arises due to uncertainties about the future market values of these investments.</p> <p>Equity Price Risk is related to the change in market reference price of the investments in equity securities.</p> <p>The company doesn't hold any equity instruments as on the balance sheet date.</p> | <p>In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits set by the risk management policies.</p> | <p>The company doesn't hold any equity instruments as on the balance sheet date.</p> |
| <p><b>2. INTEREST RATE RISK</b></p> <p>Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.</p> <p>Company doesn't have Fixed deposits with Banks.</p>        | <p>In order to manage its interest rate risk The Company diversifies its portfolio in accordance with the risk management policies.</p>                                     | <p>Company doesn't have Fixed deposits with Banks.</p>                               |

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade Receivables

Customer credit risk is managed by each business unit subject to the Company established procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating score card and individual credit limits are defined in accordance with this assessment. Company doesn't have outstanding customer receivables.



### Financial instruments and cash deposits

Credit risk from balances with banks is managed by the management in accordance with the Company's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2018 and 31 March 2017 is the carrying amounts as illustrated in Note 4.

### Capital management

Capital includes issued equity capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value.

| Particulars                               | 31-Mar-18         | 31-Mar-17       |
|---|-------------------|-----------------|
|   | INR               | INR             |
| Borrowings                                | -                 | -               |
| Redemable preference shares               | -                 | -               |
| Trade Payables                            | -                 | -               |
| Other Payables (Note 6)                   | 2,01,662          | 1,04,950        |
| Less : Cash and Cash equivalents (Note 4) | (51,984)          | (63,172)        |
| Deposits                                  | -                 | -               |
| <b>Total Debt</b>                         | <b>1,49,679</b>   | <b>41,779</b>   |
| Convertible preference shares             | -                 | -               |
| Equity                                    | (1,49,679)        | (41,779)        |
| <b>Total Capital</b>                      | <b>(1,49,679)</b> | <b>(41,779)</b> |
| <b>Capital and Total debt</b>             | <b>(1,49,679)</b> | <b>(41,779)</b> |
| Gearing ratio                             | -                 | 0.00%           |

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

### 18 Financial Instruments by category

| Particulars                                 | Mar-18 |        |                 | Mar-17 |        |                 |
|---|--------|--------|-----------------|--------|--------|-----------------|
|   | FVTPL  | FVTOCI | Amortised Cost  | FVTPL  | FVTOCI | Amortised Cost  |
| <b>1) Financial Assets</b>                  |        |        |                 |        |        |                 |
| I) Investments                              | -      | -      | -               | -      | -      | -               |
| II) Trade receivables                       | -      | -      | -               | -      | -      | -               |
| III) Cash and Cash equivalents              | -      | -      | 51,984          | -      | -      | -               |
| IV) Other Bank balances                     | -      | -      | -               | -      | -      | 63,172          |
| V) Security deposit for utilities and premi | -      | -      | -               | -      | -      | -               |
| VI) Other receivables                       | -      | -      | -               | -      | -      | -               |
| <b>Total financial assets</b>               | -      | -      | <b>51,984</b>   | -      | -      | <b>63,172</b>   |
| <b>2) Financial liabilities</b>             |        |        |                 |        |        |                 |
| I) Borrowings                               | -      | -      | -               | -      | -      | -               |
| II) Obligations under Finance Lease         | -      | -      | -               | -      | -      | -               |
| III) Deposits                               | -      | -      | -               | -      | -      | -               |
| IV) Trade payables                          | -      | -      | -               | -      | -      | -               |
| V) Other liabilities                        | -      | -      | 2,01,662        | -      | -      | -               |
| <b>Total Financial liabilities</b>          | -      | -      | <b>2,01,662</b> | -      | -      | <b>1,04,950</b> |

### 19 Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of the changes to these assumptions.

20 Previous years figures have been regrouped/reclassified wherever necessary.

For Oswal Sunil & Company  
Chartered Accountants  
Firm Registration Number: 016520N

CA Anil Nowlania  
Partner  
Membership No: 513504

Place : New Delhi  
Date : 01-05-2018



For and on behalf of the Board

*R. M. Kastia*

Dr. R.M. Kastia  
Director  
DIN : 00053059

*Y. L. Agarwal*

Y. L. Agarwal  
Director  
DIN : 00024770

Place : New Delhi  
Dated : 01-05-2018