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SECTION I óGENERAL INFORMATION

DEFINITIONS AND ABBREVIATIONS

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this section and references to any statute or regulations or acts or policies shall include amendments thereto, from time to time.

K p " v j k u " F t c h v " N g v v g t " q h " Q h h g t . " w p n g u u " q v j g t y k u g " k p f k e
I g c t u " N k o k v g f ö . " ö D I N ö . " v j g l q w t " ö Shall mean Bharat Gears Limited . " ö q w t ö
c p f " t g h g t g s p a l e n e a n t h e e q u i t y s h a r e h o l d e r s a n d / o r p r o s p e c t i v e i n v e s t o r s i n t h e E q u i t y S h a r e s .

Conventional and general terms/Abbreviations/ Company related and Industry related terms

Term	Description
ö D j c t c v " I g c ö D I N ö " q t " ö v q t " ö v Resulting E q o r c p { ö . " E q o r c p { ö	Bharat Gears Limited, a public limited company incorporated under the provisions of the Companies Act, 1956, as amended and having its registered office at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad -121 003, Haryana, India.
ö Y g ö " q t " ö w u	Unless the context otherwise indicates or implies, refers to Bharat Gears Limited
Rs. /Rupees /INR	Indian Rupees
AIF	Alternative Investment Funds
ASBA	Application Supported by Blocked Amount
AY	Assessment Year
AO	Assessing Officer, Income Tax
ACIT	Assistant Commissioner of Income Tax
AGM	Annual General Meeting
Articles or Articles of Association	Articles of Association of our Company, as amended from time to time
Auditor/ Statutory Auditor	The statutory auditors of our Company i.e., S R B C & CO LLP, Chartered Accountants
Board of Directors	Board of Directors of our Company
BSE	BSE Limited
BFSI	Banking, Financial Services and Insurance
CAGR	Compounded Annual Growth Rate
CDP	Collecting Depository Participant
Capital or Share capital	Share capital of our Company
CCI	Competition Commission of India
CDSL	Central Depository Services (India) Limited
CII	Confederation of Indian Industry
CIN	Corporate Identification Number
CNC	Computer Numeric Control
Companies Act	The Companies Act, 1956 or Companies Act, 2013 and rules framed thereunder, as applicable
Client ID	Client Identification Number of the Bidders Beneficiary Account
Competition Act	The Competition Act, 2002
Copyright Act	The Copyright Act, 1957
CPC	The Code of Civil Procedure, 1908
CrPC	The Code of Criminal Procedure, 1973
CSR	Corporate Social Responsibility
CTS	Cheque Truncation System
CWIP	Capital Work in Progress
CIT (A)	Commissioner of Income Tax (Appeals)
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996 and amendments thereto
DIN	Director Identification Number
DIPP	Department of Industrial Policy and Promotion



Term	Description
DP ID	F g r q u k v q t { " R c t v k e k r c p v ø u " k f g p v k v {
DRT	Debt Recovery Tribunal
Director	Director of our Company, unless otherwise specified otherwise
DP or Depository Participant	Depository Participant as defined under the Depositories Act
EGM	Extra-ordinary General Meeting
Eligible Shareholder(s)	Eligible holder(s) of the equity shares of Bharat Gears Limited as on the Record Date
EPS	Earnings Per Share
EBIT	Earnings Before Interest and Tax
EPF Act	V j g " G o r n q { g g u ø " R t q x k f g p v " H w p f u " c p
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product
GoI or Government or Central Government	Government of India
GSM	Graded Surveillance Measure
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICD	Inter Corporate Deposits
ICL	Inter Corporate Loans
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013, as notified under Companies (Indian Accounting Standards) Rules 2015, as amended
Indian GAAP/ I-GAAP	Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2014, as amended
IT Act	The Income Tax Act, 1961 and amendments thereto
ITAT	Income Tax Appellate Tribunal
Memorandum of Association or MOA	Memorandum of Association of our Company, as amended from time to time
MRTU & PULP Act	Maharashtra Recognition of Trade Union Act and Prevention of Unfair Labour Practices Act, 1971
NAV	Net Asset Value per share
NSE	National Stock Exchange of India Limited
NEFT	National Electronic Fund Transfer
NR/Non- Resident	A person resident outside India, as defined under the FEMA and includes an NRI, FPIs registered with SEBI and FVCIs registered with SEBI
NRE Account	Non-resident external account
NRI	Non-resident Indian
OCB	Overseas Corporate Body
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RBI	Reserve Bank of India
RONW	Return on Net Worth
SCORES	SEBI Complaints Redress System
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI/ Board	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Regulations/ SEBI ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
Securities Act	United States Securities Act of 1933, as amended
Stock Exchanges	BSE and NSE
State Government	The Government of a State in India



Term	Description
STT	Securities Transaction Tax
SEBI Listing Regulations/ SEBI (LODR)	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time
SEBI Takeover Regulations/ Takeover Code/ Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto
TP Act	The Transfer of Property Act, 1882
Trade Marks Act	Trade Marks Act, 1999
United States or US	United States of America

Issue related terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations
Additional Rights Shares	The Equity Shares applied or allotted under this Issue in addition to the Rights Entitlement
Allotment	Unless the context requires, the allotment of Equity Shares pursuant to the Rights Issue
Allottee	Person to whom Rights Shares are issued/ allotted pursuant to the Issue
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the application money payable on application in their specified bank account maintained with the SCSBs
ASBA Account	Account maintained by an ASBA Investor with a SCSB which will be blocked by such SCSB to the extent of the appropriate amount in relation to an application by an ASBA Investor
ASBA Applicants/ ASBA Investor	Eligible Shareholders proposing to subscribe to the Issue through ASBA process and who: <ol style="list-style-type: none"> 1. are holding the securities of our Company in dematerialized form as on Record Date and have applied for their Rights Entitlements and / or additional Equity Shares in dematerialized form; 2. have not renounced their Rights Entitlements in full or in part; 3. are not Renounees; and 4. are applying through blocking of funds in a bank account maintained with the SCSBs. <p>QIBs, Non-Institutional Investors and Investors whose Application Money exceeds ₹ 200,000/- can participate in the Issue only through the ASBA process.</p>
Bankers to the Company	State Bank of India, IDBI Bank Limited, IDFC Bank Limited, HDFC Bank Limited
Bankers to the Issue] _
Composite Application Form / CAF/ Application Form/ Application	The form used by an Investor to make an application for the Allotment of Rights Shares and for application by Renounees
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes and/or such other website(s) as may be prescribed by the SEBI / Stock Exchange(s) from time to time
Designated Stock Exchange	BSE
Draft Letter of Offer/ DLOF	The Draft Letter of Offer dated December 07, 2018 filed with SEBI for its observations.
Demographic Details	Details of Investors such as address, bank account details for printing on refund orders and occupation
Designated Branch of the SCSBs	Such branches of the SCSBs which shall collect the CAF or the plain paper application, as the case may be, used by the ASBA Investors and a list of which is available on



Term	Description
	http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Eligible Shareholder(s)	Equity Holder(s) of Equity Shares as on the Record Date
Equity Share Capital	Equity share capital of our Company
Equity Share(s) or Share(s)	Equity shares of our Company having a face value of ₹ 10/- each unless otherwise specified in the context thereof
Equity Shareholder(s)	Means a holder of Equity Shares of our Company
Financial Year/ Fiscal/ Fiscal Year/ FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated
Issue/ Rights Issue	K u u w g " q h "] _ " G s w k v { " 10/- p a c h t a t g a p r e m i j u r k o f j] c p e r E q u i t y S h a r e f o r a n a m o u n t a g g r e g a t i n g u p t o ` 1,500 lakhs on a rights basis v q " v j g " g z k u v k p i " G s w k v { " U j c t g j q n f g f u l l y p a i d - w r " G s w k v { " U j c t g * u + " * k 0 g 0 . "] _ q p " v j g " T g e q t f " F c v g 0 " V j g " a t u o f w h e E q u i t y S h a r e s
Investor(s)	Equity Shareholders as on Record Date and/or Renounees applying in the Issue
Issue Closing Date] _
Issue Opening Date] _
Issue Price	`] p e r E q u i t y S h a r e
Issue Proceeds	The proceeds of the Issue that are available to our Company
Issue Size	V j g " k u u w g " q h "] _ " G s w k v { " U o j ` d , 5 0 0 l a k h s h q
Lead Manager/ LM	Keynote Corporate Services Limited
Letter of Offer	The final letter of offer to be filed with the Stock Exchanges after incorporating the observations received from the SEBI on the Draft Letter of Offer
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges
MICR	Magnetic Ink Character Recognition
NECS	National Electronic Clearing Services
Non-ASBA Investor	Investors other than ASBA Investors who apply in the Issue otherwise than through the ASBA process
Non-Institutional Investors	All Investors including sub-accounts of FIIs/ FPIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Equity Shares for a cumulative amount of more than ₹ 2 lakhs
Promoters	The Promoters of our Company being Mr. Surinder Paul Kanwar and Mr. Sameer Kanwar
Promoter Group	Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI ICDR Regulations and which are disclosed by our Company to the Stock Exchange(s) from time to time
Offer Document	Means Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1) (ss) of the SEBI ICDR Regulations, 2018
Record Date] _
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS, NEFT or ASBA process, as applicable
Registrar of Companies/ RoC	Unless specified otherwise, Registrar of Companies, Delhi & Haryana
Registrar to the Issue	Link Intime India Private Limited
Renounees	Any person(s) who has acquired Rights Entitlements from the Equity Shareholders through renunciation
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2 lakhs (including HUFs applying through their Karta)
Rights Entitlement	The number of Equity Shares that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
RTGS	Real Time Gross Settlement
SAF(s)	Split Application Form(s)
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including



Term	Description
	blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in
Working Days	All days other than second and fourth Saturday of the month, Sunday or a public holiday, on which commercial banks in Mumbai are open for business

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the Securities Contracts (Regulation) Act, 1956, the SEBI ICDR Regulations, the Depositories Act, 1996 and the rules and regulations made thereunder.

P q v y k v j u v c p f k p i " v Sitgm"en" of Tax Benefits ö ä Q w w g t o m f k p i DeNultsvöänd c v k q p u " ö " pages"45, 122 and 56, respectively, shall have the meanings given to such terms in these respective sections.



NOTICE TO OVERSEAS INVESTORS

The distribution of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and the Issue of Rights Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons in whose possession the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer or CAFs may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of the Rights Equity Shares on a rights basis to the Equity Shareholders as on Record Date and will dispatch the Letter of Offer/Abridged Letter of Offer and CAFs to such Eligible Equity Shareholders who have provided an Indian address to our Company. Those overseas shareholders, who have not updated our records with their Indian address or the address of their duly authorised representative in India, prior to the date on which we propose to dispatch the Letter of Offer/Abridged Letter of Offer and CAFs, shall not be sent the Letter of Offer/Abridged Letter of Offer and CAFs.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Draft Letter of Offer has been filed with SEBI for observations. Accordingly, the Rights Equity Shares may not be offered or sold, directly or indirectly, and the Letter of Offer/Abridged Letter of Offer and CAFs or any offering materials or advertisements in connection with the Issue may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Receipt of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under such circumstances, this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs must be treated as sent for information only and should not be acted upon for subscription to Rights Equity Shares and should not be copied or redistributed. Accordingly, persons receiving a copy of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs should not, in connection with the issue of the Rights Equity Shares or Rights Entitlements, distribute or send the same in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Rights Equity Shares or the Rights Entitlements referred to in this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs. Envelopes containing a CAF should not be dispatched from any jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that she/he is authorised to acquire the Rights Equity Shares in compliance with all applicable laws and regulations prevailing in her/his jurisdiction. Our Company, the Registrar, the Lead Manager or any other person acting on behalf of us reserve the right to treat any CAF as invalid where we believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements and we shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such CAF. Neither the delivery of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer and CAFs nor any sale hereunder, shall under any circumstances create any implication v j c v " v j g t g " j c u " d g g p " p q " e j c p i g " k p " q w t " E q o r c p { ø u " c h h c k herein is correct as at any time subsequent to the date of this Draft Letter of Offer.

The contents of this Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, CAFs and SAFs should not be construed as legal, tax or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Equity Shares. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Rights Equity Shares. In addition, neither our Company nor the Lead Manager is making any representation to any offeree or purchaser of the Rights Equity Shares regarding the legality of an investment in the Rights Equity Shares by such offeree or purchaser under any applicable laws or regulations.

NO OFFER IN THE UNITED STATES

The Rights Entitlements and the Rights Equity Shares have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States or any U.S. state. The offering of the Rights Equity Shares is not, and under no circumstances is to be construed as, an offering of any Rights Equity Shares or Rights Entitlement for sale in the United States or as a solicitation therein of an offer to buy any of the Rights Equity Shares or Rights Entitlement. There is no intention to register any portion of the Issue or any of the securities described herein in the



United States or to conduct a public offering of securities in the United States. Accordingly, this Draft Letter of Offer, Letter of Offer or Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time. In addition, until the expiry of 40 days after the commencement of the Issue, an offer or sale of Rights Entitlements or Rights Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Neither our Company nor any person acting on our behalf will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on our behalf has reason to believe is, either a U.S. Person or otherwise in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Rights Equity Shares Issue and wishing to hold such Equity Shares in registered form must provide an address for registration of these Equity Shares in India. Our Company is making the Issue on a rights basis to Eligible Shareholders and the Letter of Offer/ Abridged Letter of Offer and CAF will be dispatched only to Eligible Shareholders who have an Indian address. Any person who acquires Rights Entitlements and the Rights Equity Shares will be deemed to have declared, represented, warranted and agreed that, (i) it is not and that at the time of subscribing for such Rights Equity Shares or the Rights Entitlements, it will not be, in the United States, (ii) it is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States when the buy order is made, and (iii) it is authorised to acquire the Rights Entitlements and the Rights Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat any CAF as invalid which: (i) does not include the certification set out in the CAF to the effect that the subscriber is not a U.S. Person and does not have a registered address (and is not otherwise located) in the United States and is authorised to acquire the Rights Equity Shares or Rights Entitlement in compliance with all applicable laws and regulations; (ii) appears to us or our agents to have been executed in or dispatched from the United States; (iii) appears to us or our agents to have been executed by a U.S. Person; (iv) where a registered Indian address is not provided; or (v) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Rights Equity Shares or Rights Entitlement in respect of any such CAF.

Rights Entitlements may not be transferred or sold to any person in the United States.



PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

Certain Conventions

Unless otherwise specified or the context otherwise requires, an n " t g h g t g p e g u " j g t g k p " v q " ÷ K p of India and its v g t t k v q t k g u " c p f " r q u u g u u k q p u " c p f " v j g " ÷ I q x g t p o g p ÷ U v c v g " I q x g t p o g p v ø " c t g " v q " v j g " I q x g t p o g p v " q h " K p f k c . " E or the context otherwise requires, all references in v j k u " F t c h v " N g v v g t " q h " Q h h g t " v q " v j U v c v g u ø " c t g " v q " v j g " W p k v g f " U v c v g u " q h " C o g t k e c " c p f " k v u " v

In this Draft Letter of Offer, references to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable.

Financial Data

Unless otherwise specified or the context otherwise requires , the financial data in this Draft Letter of Offer is derived from the Audited Financial Statements of our Company as of and for the financial year ended March 31, 2018 and Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015.

In this Draft Letter of Offer, any inconsistencies in any table between the aggregate and the total of the sums recorded are because of rounding off. Certain figures in decimals has been rounded off and accordingly there may be consequential changes in this Draft Letter of Offer.

Q w t " E q o r c p { ø u " h k p c p e k c n " { g c t " e q o o g p e g u " q f e r e n c e s t o k n " 2 3 " c a particular financial year, unless stated otherwise, are to the twelve months period ended on March 31 of that year.

W p n g u u " v j g " e q p v g z v " q v j g t y k u g " k p f k e c v g u . Risk Factors on page 15 of this Draft Letter of Offer have been calculated on the basis of the Financial Statements of our Company prepared in accordance with Ind AS and the Companies Act, 2013.

Currency and Units of Presentation

C n n " t g h g t g p e g u " v q " ö T w t g g u ö : K p T k ö p : T ö K ö T ö . " ö j g " q h h k e k c n " t g h g t g p e g u " v q " ö W U F ö . " q t " ö W U & ö " q t " ö & ö the United States of America v g f " U v c v g C n n " t g h g t g p e g u " v q " ö G W T ö currency of the member states of the European Union. In this " q h h k e k F t c h v " N g v v g t " q h " Q h h g t " c n n " t i n t e r c h a n g e a b l e g u " v q " ö n c e * u + ö " q t " ö n c

Please Note:

- One million is equal to 1,000,000/10 lakhs;
- One billion is equal to 1,000 million/100 crores;
- One lakh/lac is equal to 100 thousand;
- One crore is equal to 10 million/100 lakhs



FORWARD LOOKING STATEMENTS

V j k u " F t c h v " N g v v g t " q h " Q h h g t " k p e n w f g u " u v c v g o g p v u " y j k e j
 ò c k o g f ö . " õ g y k w m v ' ã n . k ' m õ k u u { " n k m g n { ö . " ò c t g " n k m g n { ö . " ò d g n k g x g
 c e j k g x g ö . " ò c p v k e k r c v g ö . " ò g u v k o c v g ö . " ò g u v k o c v k p i ö . " ò k p
 v q ö . " ò v c t i g v ö . " ò r t æ k æ g ö . " v õ q ö q ö w ' v w t g ö l ö q ö l ö g ö u j q w n f
 r w t u w g ö . " c p f " u k o k n c t " g z r t g u u k q p u " q t " x c t k c v k q p u " q h " u w e

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- < General economic conditions;
- < Changes in political and social conditions in India and also in other countries with whom the company has direct business relevance;
- < The outcome of legal or regulatory proceedings that we are or might become involved in;
- < Contingent liabilities, environmental problems and uninsured losses;
- < Increasing competition in the industry;
- < Strikes or work stoppages by our employees;
- < Accidents and natural disasters;
- < Loss of or shut down of operations at any of our manufacturing facility;
- < Volatility in the supply or price of raw materials;
- < Failure to respond to the technological advances;
- < Failure to safeguard the reputation of our brand or failure to enhance our brand recognition;
- < Downturn in automobile industry;
- < Developments affecting the Indian economy;
- < Changes in laws and regulations that apply to the industry;
- < Uncertainty in global financial markets;

H q t " c " h w t v j g t " f k u e w u u k q p " q h " h c e v q t u " v j c v "page 15 of f " e c w u g
 this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchanges ø " t g s w k t g o g p v u . " q w t " E q o
 Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.



SECTION II 6 LETTER OF OFFER SUMMARY

Our Company is primarily engaged in the business of manufacturing of automotive gears, manufacturing of gear boxes, other automotive components and construction of industrial furnaces. The Company has three manufacturing locations; two in the state of Maharashtra at Mumbra and Lonand and one in the state of Haryana at Faridabad.

Objects of the Issue:

The proposed utilization of Issue Proceeds is set forth below:

(in ` lakhs)

Sr. No.	Particulars	Amount
1.	Financing of Identified Equipment	1,668.11
2.	Issue Expenses]
	Total]

Means of Finance

(in ` lakhs)

Sr. No.	Source	Amount
1.	Proceeds of the Issue	Up to 1,500.00
2.	Internal Accruals]
	Total]

Intention and extent of participation by our Promoter(s) and Promoter Group in the Issue:

Our Promoter(s) and entities forming part of our Promoter Group have, *vide* their letters dated December 4, 2018 (the "**Subscription Letters**") indicated their intention to: subscribe, jointly and/or severally to the full extent of their Rights Entitlement and subscribe to the full extent of any Rights Entitlement renounced in their favour by any other Promoter or member of the Promoter Group of our Company.

Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

Financial Information:

The following table sets forth summary financial information derived from the Audited Financial Statements, prepared in accordance with the Accounting Standards prescribed under Companies Act, 2013 as of and for the Fiscal ended March 31, 2018 (Ind AS); March 31, 2017 (Indian GAAP) and March 31, 2016 (Indian GAAP) and the Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015.

(` in lakhs)

Particulars	For the six months period ended September 30, 2018 (Ind AS)	For the Fiscal		
		2018 (Ind AS)	2017 (I-GAAP)	2016 (I-GAAP)
Share Capital	814.28	814.28	781.78	781.78
Net Worth	8,498.11	7,782.20	6,530.84	7091.86
Total Income	30,033.36	51,541.63	43,553.09	43,331.06
Profit / (loss) after tax	742.10	630.30	(126.06)	23.96
Basic and Diluted EPS (in `)	9.12*	7.93	(1.61)	0.31
Net asset value per share (in `)	104.36	95.57	83.54	90.71
Total borrowings	17,114.78	13,385.23	8,819.88	9,841.30

*Not Annualized



Notes:

1. The Financial Statements for the year ended March 31, 2018 have been audited by the current Statutory Auditors S R B C & CO LLP.
2. The Financial Statements for the year ended March 31, 2017 and March 31, 2016 have been audited by the erstwhile Statutory Auditors of the Company M/s Deloitte Haskins Sells, Chartered Accountants.
3. The Financial Statements for the Fiscal 2017 and 2016 are prepared in accordance with I-GAAP and Financial Statements for Fiscal 2018 has been prepared in accordance with Ind AS. Hence the numbers are strictly not comparable.

Auditor Qualifications:

No reservations, qualifications and adverse remarks have been made by our statutory auditors in their reports which requires any adjustments to the audited financial statements for Fiscals 2018, 2017, 2016 and the Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015. The Financial Statements for the year ended March 31, 2017 and March 31, 2016 have been audited by the erstwhile Statutory Auditors of the Company - M/s Deloitte Haskins Sells.

Outstanding Litigations:

A summary of outstanding litigation proceedings pertaining to our Company as on the date of this Draft Letter of Offer is provided below. For details of the material outstanding litigation proceedings including (i) criminal proceedings; (ii) material civil proceedings; (iii) actions taken by statutory or regulatory authorities; and (iv) claims

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in lakhs)
1.	Filed against our Company		
	a. Civil	2	-
	b. Labour Related	6	2.14
	c. Direct Tax	7	3.66
	Total	15	5.80
2.	Filed by our Company		
	a. Civil	3	9.50
	b. Labour related	7	40.26
	c. Criminal	2	14.51
	Total	12	64.27

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, please

Risk Factors:

For details of potential risks associated with our ongoing business activities and industry, investment in Equity Shares of the Company, material litigations which impact the business of the Company and other economic factors



Contingent Liabilities:

As of March 31, 2018, we have certain contingent liabilities that had not been provided for, as per Ind AS 37. Details of the same are as under:

(in lakhs)

Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) the Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees	40.26
	(ii) in respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent employees	Not ascertainable
2.	Others:	
	(i) the Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance	1.27
	(ii) the Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees	0.87

For more information, refer to the Financial Statements for the year ended March 31, 2018.

Related Party Transactions:

For details of related party transactions of our Company, as per the requirement under Section 46 of the Companies Act, 2013, refer to the Financial Statements for the year ended March 31, 2018.

Financing Arrangements:

There have been no financing arrangements whereby the Promoters, members of the Promoter Group, our Directors and their relatives have financed the purchase, by any other person, of securities of our Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Letter of Offer.

Issuance of Equity Shares for Consideration other than cash:

Our Company has not issued Equity Shares for consideration other than cash during the last one year immediately preceding the date of filing of this Draft Letter of Offer.



SECTION III - RISK FACTORS

An investment in equity shares involves a high degree of risk. The risks described below together with other information contained in this Draft Letter of Offer should be carefully considered by the prospective investors before making an investment decision. Prospective investors should carefully consider all the information contained in this Draft Letter of Offer. The risks described in this section are those that we consider to be the most significant to our business, results of operations, financial condition, cash flows and prospects. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. If any or a combination of the following events occur, our business, results of operations, financial condition and prospects could materially suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.

The following risk factors have been determined by our Board of Directors on the basis of their materiality. In accordance with Clause (VI) in Part B of Schedule VI of the SEBI ICDR Regulations, the following factors have been considered for determining the materiality: (i) Some events may not be material individually, but may be found material collectively, (ii) some events may have material impact qualitatively instead of quantitatively; and (iii) some events may not be material at present but may have material impact in the future.

INTERNAL RISK FACTORS

1. Our Company is a party to certain litigations, the outcome of which could adversely affect our business operations and financial condition

Our Company is party to certain legal proceedings and claims in relation to certain civil, criminal and tax matters incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable to liabilities/penalties and may adversely affect our business and results of operations. A classification of these legal and other proceedings are given in the following table:

Sr. No.	Outstanding Litigations	Number of Matters	Financial implications to the extent quantifiable (₹ in lakhs)
1.	Filed against our Company		
	a. Civil	2	-
	b. Labour Related	6	2.14
	c. Direct Tax	7	3.66
	Total	15	5.80
2.	Filed by our Company		
	a. Civil	3	9.50
	b. Labour related	7	40.26
	c. Criminal	2	14.51
	Total	12	64.27

The amounts mentioned above may be subject to additional interest/ penalties being levied by the concerned authorities for delay in making payment or otherwise. The amount of interest/ penalties that may be levied is unascertainable as on date of this Draft Letter of Offer. For further details regarding these legal proceedings, refer to the section on Defaults on this Draft Letter of Offer.

2. We require certain approvals and licenses in the ordinary course of business and are required to comply with certain rules and regulations to operate our business, and failure to obtain, retain and renew such approvals and licenses or comply with such rules and regulations, in a timely manner or at all may adversely affect our operations



Being a manufacturing company, we require several statutory and regulatory permits, licenses and approvals to operate our business. Many of these approvals are granted for a fixed period of time and need renewal from time to time. We are required to renew such permits, licenses and approvals periodically. There can be no assurance that the relevant authorities will issue such permits or approvals to our Company or that they will issue these in time. Further, these permits, licenses and approvals are subject to several conditions and our Company may not be able to continuously meet the conditions and this may lead to cancellation, revocation or suspension of relevant permits / licenses / approvals. Failure by our Company to renew, maintain or obtain the required permits, licenses or approvals may result in the interruption of our

3. A portion of our land at our Mumbra Plant is in the process of being acquired by Thane Municipal Corporation (TMC) along with Mumbai Metropolitan Region Development Authority (MMRDA)

A certain portion of our land is in the process of being acquired by TMC along with MMRDA for proposed 60 meters widening of old Mumbai-Pune Road and proposed widening of Airoli-Katai Road. As a compensation for the acquisition of the abovementioned land, our Company is to receive Transferable Development Rights (TDRs) in the form of a Development Rights Certificate to be granted by TMC. Some of the manufacturing facilities/ structures (such as Effluent Treatment Plant/ Sewage Treatment Plant/ Water Tank etc.) set up at Mumbra Plant maybe required to be shifted/ re-located on account of the proposed road widening work to be carried out by TMC/MMRDA which might temporarily disrupt the manufacturing operations of the Company and there can be no surety that TMC/ MMRDA will compensate the Company for the costs and/or damages, if any, caused due to shifting/ re-locating of manufacturing facilities.

4. We are subject to the restrictive covenants of banks/ lenders in respect of the Loans/Credit Limits and other Banking Facilities availed from them

Some of our financing arrangements contain restrictive covenants whereby we are required to obtain approval from our lenders, regarding, amongst other things such as entering into borrowing arrangements with other banks and other parties, taking up new projects for large scale expansion, making investment in or giving loans to other parties, formulation of any scheme of amalgamation or reconstruction or merger or de-merger, dilution of promoter and promoter group shareholding, etc. There can be no assurance that such consents will be granted or that we will be able to comply with the financial covenants stipulated under our financing arrangements. In the event we breach any restrictive, financial or other covenants contained in certain of our financing arrangements, we may be required under the terms of the relevant financing arrangements to immediately repay our borrowings either in whole or in part, together with any related costs. This may adversely impact our results of operations and cash flows.

5. Some of our Group Companies have incurred losses during the last three fiscal years

As set forth below, some of our Group Companies have incurred losses during last three fiscal years (as per their respective audited financial statements):

(` in lakhs)

Sr. No.	Particulars	For the year ended		
		March 31, 2018	March 31, 2017	March 31, 2016
1.	Raunaq EPC International Limited	(98.89)	246.97	510.82
2.	Xlerate Driveline India Limited	(49.42)	(137.70)	(131.81)

6. Our Company has entered into certain related party transactions and may continue to do so in the future

Our Company has entered into transactions with certain of its related parties. For details of related party transactions of our Company, as per the requirements w p f g t " K p f " C U " 4 6 " ÷ T g n c v g f " R c t g p f k p i " O c t e j " 5 3 p c p 2 k c h r " U g c u 5 g o f t h i s D r a f t B e h e p O f f e r . c i g "



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 can be no assurance that it could not have been achieved on more favourable terms had such transactions not been entered into with related parties. Further, it is likely that our Company will continue to enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

7. ***We employ a large labour force and in case any labour disputes arise in the course of our business operations, the same could disrupt operations and adversely affect the results of operations and financial condition of Our Company***

Our current manufacturing processes are labour intensive. We employ a large number of skilled and unskilled labourers. Any disputes between the management and labour in our Company can result in a disruption of our manufacturing activities and thereby affect the profitability of our Company.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Furthermore, it may become difficult for us to maintain flexible labour policies in case cost of labour in our industry increases. Whilst we believe that presently, we share good relationship with our employees, we may experience unrest or slowdowns, increase in wage costs and employee numbers. These eventualities may adversely impact our operations and financial condition.

8. ***Our business is dependent on the manufacturing facilities. The loss of or shutdown of operations at any of the manufacturing facilities may have a material adverse effect on the business, financial condition and results of operations***

V j g " E q o r c p { ø u " o c p w h c e v w t (Thane, Maharashtra), Faridabad (Haryana) and Lonand (Satara, Maharashtra) are subject to operating risks, such as breakdown or failure of critical equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect the operating results. Although the Company normally carries out planned shutdowns of the aforesaid plants for maintenance and takes precautions to minimize the risk of any significant operational problems at these facilities, the business, financial condition and results of operations may be adversely affected by any disruption of operations at the facilities, including due to any of the factors mentioned above.

9. ***Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products***

Our future success depends on our ability to satisfy changing client needs by offering better products in a timely manner and maintaining quality and competitiveness of such products. Our competitors may gain significant advantages if they are able to offer products satisfying client needs earlier than we are able to, which may materially and adversely impact our sales and productivity. Unanticipated delays or cost overruns in implementing new product development plans, expansion plans or capacity enhancements could also materially and adversely impact our financial condition and results of operations.

Customer preferences especially in many of the developed markets appear to be moving in favor of more fuel efficient and environmental friendly vehicles. Furthermore, in many countries there has been significant pressure on the automotive industry to reduce carbon dioxide emissions. In many markets these preferences are driven by increasingly stringent government regulations, rising fuel prices and customers' environmental considerations. Our business and operations may be significantly impacted if we experience delays in developing products that reflect changing customer preferences. In addition, deterioration in the quality of our components could force us to incur substantial costs and damage our reputation. There can be no assurance that the market acceptance of our future products will meet our sales expectations, in which case we may be unable to realize the intended economic benefits of our investments and our revenues and profitability may decrease materially.



10. Demand for our products is cyclical in nature and a substantial decrease in our sales during certain quarters of fiscal could have a material adverse impact on our financial performance

Demand for auto components is driven by the demand from Original Equipment Manufacturers (OEMs) and from replacement market in auto sector. The industry has been cyclical in the past and we expect this trend to continue. The future growth of our business depends on our ability to adjust to the variation in demand, in a timely manner and at competitive prices. Any such inability could adversely affect our operations and profitability.

11. Our success depends largely on the senior management personnel and the Company may not be able to attract and retain the senior management talent in the future. The loss of the services of the senior managerial personnel could seriously impair the ability to continue to manage and expand the business, results of operations and financial condition.

Our success depends on the continued services and performance of the members of the management team and other key personnel. Competition for senior management personnel in the industry is intense and the Company may not be able to retain the existing senior management team or attract and retain new senior management talent in the future. The loss of the services of the senior managerial personnel could seriously impair the ability to continue to manage and expand the business, results of operations and financial condition.

12. We have certain contingent liabilities which had not been provided for in our balance sheet

As of March 31, 2018, we have certain contingent liabilities that have not been provided for, as per Ind AS 37, details of the same are as under:

		(in Lakhs)
Sr. No.	Particulars	Amount
	Contingent liabilities:	
	Claims against the Company not acknowledged as debt	
1.	In respect of employees:	
	(i) the Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees	40.26
	(ii) in respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent employees	Not ascertainable
2.	Others:	
	(i) Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance	1.27
	(ii) Company has filed an appeal in the Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on difference of wages of certain employees	0.87

In the event that any of our contingent liabilities become crystallized, our business, financial condition and results of operations may be adversely affected.

13. Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations

Our operations are subject to various risks inherent in the sectors in which we operate, such as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, insurance under Business Suraksha Classik Policy (including loss of profit clause), Public/ Product Liability Insurance, etc. However, we may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial



condition and future results of operations. There can be no assurance that any claims filed will be honoured fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

14. *We have incurred substantial indebtedness which increases our vulnerability to various risks which may have an adverse effect on our business and results of operations*

As of September 30, 2018, we have ₹ 17,114.78 Lakhs of outstanding debt as per the financials of the Company.

Our level of indebtedness has important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit rating;
- limiting our ability to borrow more money both now and in the future; and
- increasing our interest expenditure and adversely affecting our profitability, since almost all of our debt bears interest at floating rates.

If any of these risks were to materialize, our business and results of operations may be adversely affected.

15. *Our Promoter and promoter group will continue to exercise significant control over our business and shall be in a position to direct corporate actions which may be allegedly detrimental to the interest of other shareholders*

Our Promoter and Promoter Group hold 54.85% of our equity share capital. As a result, they are in a position to continue to exercise significant control over our business and all matters requiring shareholder approval, including timing and distribution of dividends, election of officers and directors, our business strategy and policies, approval of significant corporate transactions such as mergers and business combinations and sale of assets. Their control could approve or impede a merger, consolidation, takeover or other business combination involving us.

16. *Changes in technology may impact the business by making the plants less competitive*

Application of advanced technology in making automotive gears and components may require the Company to make additional capital expenditure for upgrading the manufacturing facilities. In case the Company is unable to keep up with the growth rate of technology improvement or process change, the company may be unable to service the demand which may adversely affect the revenue.

17. *Volatile price of steel which is the main raw material consumed by the Company and spiraling cost of LPG/Propane/Natural Gas may affect the profitability of the Company*

The principal raw material in making automotive Gears is alloy steel and alloy steel forgings. Off late, the steel prices have been on an upward trend. Any increase in the prices of the steel would adversely impact the business of the Company. Though we have been able to pass on the increase in prices of steel to our customers in the past, we cannot assure the same to continue in future. Further, there has been a trend of increasing prices of LPG/Propane/Natural Gas and any such increase in cost may affect the profitability of the Company.

18. *Major part of our revenue comes from a limited number of our customers. The loss of any of our major Customers or a decrease in the volume of orders may adversely affect our revenue and profitability*

At present, we derive most of our revenues from the orders received from the limited or few customers. In the Financial Year ended March 31, 2018, our top five customers have contributed more than 50% of our total sales. Our business and results of operations will be adversely affected if we are unable to develop and maintain a continuing relationship with our key customer(s) or develop and maintain relationships with other



new customers. The loss of a significant customer or a number of significant customers due to any reason whether internal or external related to their business may have a material adverse effect on our business prospects and results of operations.

19. The objects for which we propose to utilize Issue proceeds are neither appraised by any Bank or Financial Institution nor any independent agency is appointed to monitor the deployment of proceeds. Our management will have the flexibility in applying the issue proceeds

The fund requirements and proposed deployment are based on internal estimates of our management and have not been appraised by any Bank or Financial Institution. Shareholders/investors shall rely on Non-appraisal of estimates by external agencies such as Banks or Financial Institutions makes such estimates susceptible to change any time in future.

Further, as per SEBI ICDR Regulations, appointment of monitoring agency is required only for Issue size above ₹ 10,000 Lacs. Since, our issue size is below this amount, we have not appointed a monitoring agency to monitor the utilisation of Issue proceeds.

The objects of the issue are as stated in the prospectus on page 40. We cannot assure you that the issue proceeds will be utilized in conformity with the cost or schedule of implementation as described under the said chapter. Our funding requirements for the objects and deployment schedule are based on current conditions and are subject to change in light of external factors which may not be in our control. This may also include rescheduling the proposed utilization of issue proceeds at the discretion of our management. Our Company may make necessary changes to such utilization in conformity with the provisions of the Companies Act and SEBI ICDR Regulations in relation to the change in the objects of the issue. Accordingly, shareholders /investors in the offer will need to rely on our ability to utilize the issue proceeds as expected in a timely manner, we may not be able to derive expected benefits from the proceeds of the issue and our business and financial results may suffer.

20. Our ability to pay dividends will depend upon earnings, financial condition, cash flows, working capital

Our Company has not declared any dividend in the past four years. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital and other factors. We shall have distributable profits or that we will declare dividends in the future. Additionally, the terms and conditions of any financing we obtain in the future, may include restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

EXTERNAL RISK FACTORS

21. Deterioration in global economic conditions could have a material adverse impact on our sales and results of operations

The automotive industry and the demand for automobiles are influenced by general economic conditions including among other things, rates of economic growth, availability of credit, disposable income of consumers, interest rates, environmental and tax policies, safety regulations, freight rates and fuel and commodity prices. As Auto Components industry caters directly to Automotive industry, negative trends in any of these factors impacting the regions where we operate would materially and adversely affect our business, financial condition and results of operations.

The Indian automotive industry is affected materially by the general economic conditions in India and around the world. Muted industrial growth as a result of continuing high levels of inflation and interest rates continues to pose risks to overall growth in this market. The automotive industry in general is cyclical and economic slowdowns in the recent past have affected the manufacturing sector, including the automotive and related industries in India. A continuation of negative economic trends or further deterioration in key economic metrics such as the growth rate, interest rates and inflation as well as reduced availability of financing for vehicles at competitive rates could materially and adversely affect our sales in India and results of operations.



In addition, the Indian automotive market and the Indian economy are influenced by economic and market reactions to economic developments in one country can have adverse effects on the securities of companies and the economy as a whole. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India.

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from the export business.

In the event the growth rate / recovery of global economy is slower than expected, or if there is any significant financial disruption, this could have a material adverse effect on our cost of funding, portfolio of financing loans, business, prospects, financial condition, results of operations and the trading price of our Securities.

22. *Financial instability in Indian and Global financial markets could adversely affect our Company's results of operations and financial condition*

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets. Indian financial markets have also experienced the contagion effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Stock exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material and adverse effect on our Company's business, operations, financial condition, profitability and price of its Shares.

23. *Political instability or significant changes in the economic liberalisation and deregulation policies of the Government or in the government of the states where we operate could disrupt its business*

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our businesses, and the market price and liquidity of its securities may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in or affecting India. In recent years, India has been following a course of economic liberalisation and our business could be significantly influenced by economic policies followed by the Government.

However, there can be no assurance that such policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

24. *Natural disasters and other disruptions could adversely affect the Indian economy and could cause our business and operations to suffer and the trading price of our Equity Shares to decrease*

Our operations may be damaged or disrupted as a result of natural disasters such as earthquakes, floods, heavy rainfall, epidemics, tsunamis and cyclones and other events such as protests, riots and labour unrest. Such events may lead to the disruption of information systems and telecommunication services for sustained periods. They also may make it difficult or impossible for employees to reach our business locations which may affect our manufacturing processes. Damage or destruction that interrupts our production could adversely affect our business. It may also cause us to incur substantial additional expenditure to repair or replace damaged equipment or rebuild parts of our infrastructure. We may also be liable to our customers for disruption in supply resulting from such damage or destruction. Our insurance coverage for such liability may not be sufficient. Any of the above factors may adversely affect our business, our financial results and the price of our Equity Shares.



RISKS RELATING TO THE ISSUE

25. *The price of the Rights Equity Shares may be volatile*

The trading price of our Rights Equity Shares may fluctuate after the Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant factors such as the performance of our competitors, the Indian automotive components industry and the perception in the market about investments in the automotive components industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding new projects, strategic partnerships, joint ventures, or capital commitments etc. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of our equity shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our equity shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of our equity shares.

26. *Any future issuance of equity shares by our Company or sale of our equity shares by any of our significant shareholders may adversely affect the trading price of our equity shares*

Any future issuance of Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sale of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further equity shares or that the shareholders will not dispose of, pledge, or otherwise encumber their equity shares. In addition, any perception by investors that such issuances or sale might occur could also affect the trading price of our equity shares.

**SECTION IV - INTRODUCTION****SUMMARY OF FINANCIAL INFORMATION**

The following tables set forth summary financial information derived from our Audited Financial Information for the year ended March 31, 2018 and Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015. The summary of financial information presented below should be read in conjunction with our Financial Information presented in our Draft Letter of Offer.

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BALANCE SHEET

as at 31 March, 2018

₹ lacs

Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
A. ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	11210.68	10162.06	11073.15
(b) Capital work-in-progress	236.32	159.46	347.94
(c) Intangible assets	100.23	116.63	141.34
(d) Financial assets			
(i) Loans	128.66	114.24	98.46
(ii) Others	157.81	203.25	200.11
(e) Deferred tax assets (net)	208.14	78.51	7.70
(f) Other non-current assets	450.93	494.93	573.28
Total non-current assets	12492.77	11329.08	12441.98
2. Current assets			
(a) Inventories	7702.76	6242.95	5734.42
(b) Financial assets			
(i) Trade receivables	12817.78	9232.05	7983.53
(ii) Cash and cash equivalents	24.65	46.01	68.08
(iii) Bank balances other than (ii) above	509.15	517.53	514.39
(iv) Loans	52.16	36.50	33.50
(v) Others	356.93	198.44	152.39
(c) Other current assets	2558.26	1414.22	1179.35
(d) Current tax assets (net)	58.72	37.91	62.95
Total current assets	24080.41	17725.61	15728.61
Total assets	36573.18	29054.69	28170.59
B. EQUITY AND LIABILITIES			
1. EQUITY			
(a) Equity share capital	814.28	781.78	781.78
(b) Other equity	6967.92	5865.74	5989.17
Total equity	7782.20	6647.52	6770.95
LIABILITIES			
2. Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	7867.70	3725.12	5121.58
(ii) Other financial liabilities	114.72	-	-
(b) Provisions	449.57	435.51	447.97
(c) Other non-current liabilities	1256.32	1186.63	1059.69
Total non-current liabilities	9688.31	5347.26	6629.24
3. Current liabilities			
(a) Financial liabilities			
(i) Borrowings	4982.51	5237.38	4271.67
(ii) Trade payables	11706.80	8902.77	7551.97
(iii) Other financial liabilities	1772.88	2428.72	2338.95
(b) Provisions	91.42	90.47	111.70
(c) Other current liabilities	307.68	400.57	496.11
(d) Current tax liabilities (net)	241.38	-	-
Total current liabilities	19102.67	17059.91	14770.40
Total equity and liabilities	36573.18	29054.69	28170.59



STATEMENT OF PROFIT AND LOSS

for the year ended 31 March, 2018

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
1. Revenue from operations	51383.67	43437.38
2. Other income	157.96	114.05
3. Total income (1+2)	51541.63	43551.43
4. Expenses		
(a) Cost of materials and components consumed	24347.81	18974.37
(b) Changes in inventories of finished goods and work-in-progress	(743.93)	(387.32)
(c) Excise duty on sale of goods (including scrap sale)	645.41	2759.28
(d) Employee benefits expense	8726.34	7716.46
(e) Finance costs	1684.24	1481.44
(f) Depreciation and amortisation expense	1828.11	1669.26
(g) Other expenses	14129.35	11566.02
Total expenses	50617.33	43779.51
5. Profit/(Loss) before tax (3-4)	924.30	(228.08)
6. Tax expense/(credit) (net)		
(a) Current tax	425.00	-
(b) Deferred tax	(131.00)	(82.00)
Total tax expense/(credit)	294.00	(82.00)
7. Profit/(Loss) for the year (5-6)	630.30	(146.08)
8. Other comprehensive income		
Items that will not be reclassified to profit or loss		
- Re-measurement gains on defined benefits obligations	3.95	33.84
- Income tax effect	(1.37)	(11.19)
Other comprehensive income for the year (net of tax)	2.58	22.65
9. Total comprehensive income for the year (7+8)	632.88	(123.43)
10. Earnings per share (Face value of ₹ 10/- each):		
Basic and Diluted - in ₹	7.93	(1.87)



STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
A. Cash flows from operating activities:		
Net profit/(loss) before tax	924.30	(228.08)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1828.11	1669.26
Loss on sale/write off of property, plant and equipment (net)	0.65	1.57
Finance costs	1375.71	1259.80
Interest income	(70.35)	(95.59)
Rent expenses	8.10	7.66
Employee benefits expense	7.65	6.27
Liabilities/provisions no longer required written back	(28.53)	(16.54)
Allowance for doubtful debts	23.17	20.94
Bad debts written off	9.08	6.53
Provision for slow and non-moving inventory	46.00	-
Other amounts written off	0.99	-
Unrealised exchange loss (net)	10.50	33.75
Operating profit before working capital changes	4135.38	2665.57
Changes in working capital		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(1505.81)	(508.53)
Trade receivables	(3517.86)	(1322.66)
Financial assets - loans	(26.30)	(21.34)
Financial assets - others	(98.86)	(43.76)
Other current and non-current assets	(1079.44)	(309.14)
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	2816.75	1367.42
Other financial liabilities	(70.96)	(7.09)
Other current and non-current liabilities	(16.98)	65.24
Provisions	36.91	(33.69)
Cash generated from operations	672.83	1852.02
Income tax (paid)/refund (net)	(59.64)	173.56
Net cash flows from operating activities (A)	613.19	2025.58
B. Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets (including capital work-in-progress, capital advances)	(2141.22)	(581.60)
Proceeds from sale of property, plant and equipment	17.67	15.85
Bank balances (including non-current) not considered as cash and cash equivalents (net)	(2.17)	(9.37)
Interest received	48.27	84.47
Increase in balance in unpaid dividend account	5.86	1.91
Net cash flows used in investing activities (B)	(2071.59)	(488.74)



Statement of Cash Flows for the year ended 31 March, 2018 Contd.

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
C. Cash flows from financing activities:		
Proceeds from long-term borrowings	8000.00	700.00
Preferential issue of equity shares (net of share issue expenses of ₹ 9.49 lacs)	501.80	-
Unsecured loan from Director	(500.00)	500.00
Repayment of long-term borrowings	(4978.33)	(2470.96)
Net increase/(decrease) in short-term borrowings	1007.94	703.74
Interest paid	(1332.93)	(1252.17)
Dividends paid	(5.86)	(1.91)
Finance lease obligation	-	(12.43)
Net cash flows from/(used in) financing activities (C)	2692.62	(1833.73)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	1234.22	(296.89)
Cash and cash equivalents at the beginning of the year	(2794.45)	(2510.41)
Add: Effect of exchange differences on restatement of foreign currency Cash and cash equivalents	7.23	12.85
Cash and cash equivalents at the end of the year	(1553.00)	(2794.45)
The above Statement of Cash Flows has been prepared under the 'indirect method' as set out in Indian Accounting Standard 7 'Statement of Cash Flows'		



**STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS
PERIOD ENDED 30 SEPTEMBER, 2018**

BHARAT GEARS LIMITED CIN: L29130HR1971PLC034365 Registered Office: 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003 (Haryana)							
STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS PERIOD ENDED 30 SEPTEMBER, 2018							
							(₹ in lacs)
	Particulars	Quarter ended			Six months period ended		Previous year ended
		30.09.2018	30.06.2018	30.09.2017	30.09.2018	30.09.2017	31.03.2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from operations	14,977	14,615	12,577	29,592	23,945	51,384
2	Other income	238	203	18	441	49	158
3	Total income (1+2)	15,215	14,818	12,595	30,033	23,994	51,542
4	Expenses						
	(a) Cost of materials and components consumed	7,635	7,092	5,853	14,727	11,135	24,348
	(b) Changes in inventories of finished goods and work-in-progress	(1,139)	(229)	110	(1,368)	(96)	(744)
	(c) Employee benefits expense	2,526	2,270	2,131	4,796	4,179	8,727
	(d) Finance costs	523	469	463	992	829	1,684
	(e) Depreciation and amortisation expense	529	489	453	1,018	877	1,828
	(f) Other expenses	4,503	4,205	3,363	8,708	6,993	14,775
	Total expenses	14,577	14,296	12,373	28,873	23,917	50,618
5	Profit before tax (3-4)	638	522	222	1,160	77	924
6	Tax expense						
	1. Current tax	296	255	30	551	30	425
	2. Deferred tax	(59)	(74)	36	(133)	(4)	(131)
7	Net profit for the period (5-6)	401	341	156	742	51	630
8	Other comprehensive income/(loss)						
	(i) Items that will not be reclassified to profit or loss	(40)	(0)	(3)	(40)	(6)	4
	(ii) Income tax relating to items that will not be reclassified to profit or loss	14	0	1	14	2	(1)
9	Total comprehensive income for the period (7+8)	375	341	154	716	47	633
10	Paid-up equity share capital (Face value ₹ 10/- per share)	814	814	782	814	782	814
11	Other equity (excluding revaluation reserve)						6968
12	Earnings per share [face value of ₹ 10/- each (* not annualised)] Basic and diluted (₹)	* 4.93	* 4.19	* 1.99	* 9.12	* 0.65	7.93


BHARAT GEARS LIMITED
CIN: L29130HR1971PLC034365

Registered Office: 20 K. M. Mathura Road, P. O. Amar Nagar, Faridabad - 121003 (Haryana)

6. Statement of Assets and Liabilities:

Particulars		(₹ in lacs)	
		As at 30.09.2018 Unaudited	As at 31.03.2018 Audited
A	ASSETS		
1	Non-current assets		
	(a) Property, plant and equipment	11,985	11,211
	(b) Capital work-in-progress	850	236
	(c) Intangible assets	171	100
	(d) Financial assets		
	(i) Loans	140	129
	(ii) Others	183	158
	(e) Deferred tax assets (net)	355	208
	(f) Other non-current assets	1,145	451
		14,829	12,493
2	Current assets		
	(a) Inventories	9,735	7,702
	(b) Financial assets		
	(i) Trade receivables	12,969	12,818
	(ii) Cash and cash equivalents	85	25
	(iii) Bank balances other than (ii) above	508	509
	(iv) Loans	75	52
	(v) Others	346	357
	(c) Other current assets	3,373	2,558
	(d) Current tax assets (net)	66	59
		27,157	24,080
	TOTAL	41,986	36,573
B	EQUITY AND LIABILITIES		
1	Equity		
	(a) Equity share capital	814	814
	(b) Other equity	7,684	6,968
		8,498	7,782
2	Non-current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	9,260	7,868
	(ii) Other financial liabilities	200	115
	(b) Provisions	500	449
	(c) Other non-current liabilities	1,305	1,256
		11,265	9,688
3	Current liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	6,542	4,983
	(ii) Trade payables		
	- total outstanding dues of micro enterprises and small enterprises	62	132
	- total outstanding dues of creditors other than micro enterprises and small enterprises	11,919	11,575
	(iii) Others	2,551	1,773
	(b) Provisions	99	91
	(c) Other current liabilities	652	308
	(d) Current tax liabilities (net)	398	241
		22,223	19,103
	TOTAL	41,986	36,573



THE ISSUE

The Issue has been authorised by way of a resolution passed by our Board of Directors on October 09, 2018 pursuant to Section 62 of the Companies Act, 2013.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the following information: *Terms of the Issue* and *Objects of the Issue* set out in this Draft Letter of Offer.

Equity Shares outstanding prior to the Issue	81,42,833 Equity Shares
Rights Equity Shares offered in the Issue]
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)]
Rights Entitlement]
Record Date]
Face Value per Equity Share	` 10/- each
Issue Price per Equity Share	`] - each
Issue Size	Up to ` 1,500 lakhs
Terms of the Issue	H q t " o q t g " k p h q t <i>Terms of the Issue</i> " r " page 141 of this Draft Letter of Offer
Use of proceeds of the Issue	H q t " h w t v j g t " k p h <i>Objects of the Issue</i> " r " page 40 of this Draft Letter of Offer
Scrip Code	ISIN: INE561C01019 BSE: 505688 NSE: BHARATGEAR

Terms of Payment

The full amount of `] _ " r g t " G s w k v { " U j c t g " k u " r c { c d n g " q p " c r r n k e c v k



GENERAL INFORMATION

Our Company was incorporated on December 23, 1971 as a public limited company under the provisions of the Companies Act, 1956. Our Company obtained the certificate for commencement of business on January 05, 1972 from the Registrar of Companies, Delhi & Haryana.

Registered Office of our Company

20 K.M. Mathura Road, P.O. Amar Nagar,
Faridabad -121 003, Haryana, India

Tel: +91 129 428 8888

Fax: +91 129 428 8822

Registration No.: 034365

CIN: L29130HR1971PLC034365

Corporate Office of our Company

14th Floor, Hoechst House,
Nariman Point,
Mumbai - 400 021, Maharashtra

Tel: +91 22 2283 2370

Address of the Registrar of Companies

Our Company is registered with Registrar of Companies, Delhi & Haryana which is situated at the following address:

Registrar of Companies, Delhi & Haryana

4th Floor, IFCI Tower,

61 Nehru Place,

New Delhi - 110019

Tel: +91 11 2623 5703

Fax: +91 11 2623 5702

Board of Directors

The following table sets out the current details regarding our Board of Directors as on the date of filing of this Draft Letter of Offer:

Name	Designation	DIN	Address
Mr. Surinder Paul Kanwar	Chairman and Managing Director	00033524	A-3, Greater Kailash-I, New Delhi - 110 048
Mr. Sameer Kanwar	Joint Managing Director	00033622	402, Royale Retreat II, Charmwood, Village, Suraj Kund Road, Faridabad- 121 009
Mr. Wolfgang Rudolf Schilha	Non-Executive Independent Director	00374415	88069 Tettngang, Flurstrasse 18 DE, Germany
Mr. Rakesh Chopra	Non-Executive Independent Director	00032818	C-204, Sarvodaya Enclave, New Delhi- 110 017
Mr. Virendra Kumar Pargal	Non-Executive Independent Director	00076639	Flat No.-16, Ganga Jamuna, 17th Road, Santacruz West, Mumbai - 400 054
Ms. Hiroo Suresh Advani	Non-Executive Independent Director	00265233	403, Shivala, Sobani Road, Colaba, Mumbai - 400 005
Mr. Nagar Venkatraman Srinivasan	Non-Executive Director	00879414	B-904, Usha Nagar CHS Ltd, Bhandup West, Mumbai - 400 078



Company Secretary and Compliance Officer	Lead Manager to the Issue
Mr. Prashant Khattry 20 K.M. Mathura Road, P.O.Amar Nagar, Faridabad 61210 03, Haryana Tel: +91 129 428 8888 E-mail: prashant.khattry@bglindia.com	Keynote Corporate Services Limited The Ruby, 9 th Floor, Senapati Bapat Marg, Dadar (West), Mumbai- 400 028 Tel: +91 22 3026 6000 E-mail: mbd@keynoteindia.net Website: www.keynoteindia.net Contact Person: Ms. Pooja Sanghvi/ Mr. Akhil Mohod SEBI Registration No: INM 000003606
Legal Advisors to the Issue	Registrar and Share Transfer Agent
Alliance Law 801, 8 th Floor, Raheja Center, Free Press Journal Marg, Nariman Point, Mumbai 6400 021 Tel: +91 22 2204 0822 E-mail: info@alliancelaw.in Contact Person: Mr. Ankur Loona	Link Intime India Private Limited C101, 247 Park, LBS Marg, Vikhroli (West), Mumbai - 400 083 Tel: +91 22 4918 6200 Fax: +91 22 4918 6195 E-mail: bharatgears.rights@linkintime.co.in Website: www.linkintime.co.in Contact Person: Mr. Sumeet Deshpande SEBI Registration No.: INR000004058
Banker/ Refund Banker to the Issue	
Name Address Tel:] _ E-mail:] _ Website:] _ Contact Person:] _ SEBI Registration No.:] _	

H q t " h w t v j g t " f g v c k n u " Q i r M a n a g e m e n t q ' a p f l ' r q h i ' g F k t g e v q t u . " u g g " ð

Self Certified Syndicate Bankers (SCSB)

The list of banks that has been notified by SEBI to act as SCSBs for the ASBA process is provided on [UGDKø u](http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes) website at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>. Details relating to designated branches of SCSBs collecting the ASBA application forms are available at the above-mentioned link.

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue/post-Issue related matters such as non-receipt of letter of Allotment, credit of Rights Equity Shares or Refund Orders and such other matters. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Rights Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the Application was submitted by the ASBA Investors.

Registered Brokers

In accordance with SEBI Circular No. CIR/CFD/14/2012 dated October 04, 2012 and CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, Applicants can submit Application Forms with the Registered Brokers at the Broker Centers, CDPs at Designated CDP Locations or the RTAs at the Designated RTA Locations, respective lists of which, including details such as address and telephone numbers, are available at the websites of the NSE at www.nseindia.com and BSE at www.bseindia.com respectively, as updated from time to time.



Registrar and Share Transfer Agents

The list of the RTAs eligible to accept ASBA Forms at the Designated RTA Locations, including details such as address, telephone number and e-mail address, are provided on the websites of Stock Exchanges at <http://www.nseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6> and <https://www.bseindia.com/Static/Markets/PublicIssues/RtaDp.aspx?expandable=6>, as updated from time to time.

Collecting Depository Participants

The list of the CDPs eligible to accept ASBA Forms at the Designated CDP Locations, including details such as name and contact details, are provided on the websites of Stock Exchanges.

Monitoring Agency

Since the Issue size does not exceed ` 10,000 Lakhs, the appointment of a monitoring agency as per Regulation 82 of the SEBI Regulations is not required.

Credit Rating

As this is an issue of Rights Equity Shares, there is no credit rating required for the Issue.

Appraising Entity

The objects of this issue have not been appraised by any bank or any other independent financial institution or any other independent agency.

Expert

Our Company has received a written consent from the Statutory Auditors namely, S R B C & CO LLP, to include their name as required under Section 26(1) of the Companies Act, 2013 read with the SEBI ICDR Regulations, an auditor and in respect of their (a) audit report dated May 30, 2018 on our financial statements for the year ended March 31, 2018, their (b) limited review report dated October 30, 2018 on unaudited financial results for the six months period ended September 30, 2018, and (c) their report dated December 06, 2018 on the Statement of Possible Special Tax Benefits included in this Draft , and such consent has not been withdrawn as on the date of this Draft Letter of Offer. However, they should

Statement of responsibility of the Lead Manager

Keynote Corporate Services Limited is the sole Lead Manager to the Issue. The details of responsibilities of the Lead Manager is as follows:

Sr. No.	Activity
1.	Capital structuring with relative components and formalities such as type of instruments, etc.
2.	Drafting and design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the Draft Letter of Offer, Letter of Offer, Abridged Letter of Offer, CAF, etc. To ensure compliance with the SEBI ICDR Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchanges and SEBI.
3.	Marketing of the Issue will cover, <i>inter alia</i> , preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) bankers to the issue, (iii) collection centres (iv) distribution of publicity and issue material including CAF, the Abridged Letter of Offer and the Letter of Offer to the extent applicable.
4.	Selection of various agencies connected with the issue, namely Registrar to the Issue, Bankers to the Issue, printers, advertisement agencies etc.
5.	Follow-up with Bankers to the Issue to get estimates of collection and advising our Company about closure of the Issue, based on the correct figures.
6.	Post-Issue activities will involve essential follow-up steps, which must include finalisation of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of



Sr. No.	Activity
	certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and bank handling refund activities. Even if many of these Post-Issue activities would be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that such agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

Underwriting

Our Company has entered into an Underwriting Agreement dated] with the Underwriter for underwriting the Rights Equity Shares. The fulfilment of obligations by the Underwriter shall be subject to the Promoter subscribing to its Rights Entitlement. The Underwriters are registered with SEBI or registered as brokers with the stock exchange. The Underwriter mentioned in the table below has agreed to underwrite for amount specified below at a price equal to the Issue Price. The Details of the Underwriting commitments are as under:

Name, address, telephone number, e-mail address of the Underwriter	Number of Rights Equity Shares underwritten	Amount underwritten
] _] _] _

In the opinion of the Board of Directors of our Company, the resources of the above mentioned Underwriter are sufficient to enable them to discharge their respective obligations in full.

Filing

The Draft Letter of Offer has been filed with the Northern Regional Office of the SEBI, located at 5th Floor, Bank of Baroda Building, 16, Sansad Marg New Delhi - 110001, India for its observations and with the stock exchanges. After SEBI gives its observations, the Letter of Offer will be filed with the with the Stock Exchanges as per the provisions of the Companies Act.

Issue Schedule:

Issue Opening Date:] _
Last date for receipt of request for SAFs:] _
Issue Closing Date:] _

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided the Issue will not be kept open in excess of 30 days from the Issue Opening Date.



CAPITAL STRUCTURE

The equity share capital of our Company as on date of this Draft Letter of Offer is set forth below:

(` in lakhs except per share data)

Sr. No.	Particulars	Aggregate Nominal Value	Aggregate Value at Issue Price
A.	Authorised share capital:		
	1,00,00,000 Equity Shares of face value of ` 10/- each	1,000.00	
	15,00,000 Cumulative redeemable convertible or non-convertible preference shares of ` 100/- each	1,500.00	
	Total	2,500.00	
B.	Issued, subscribed and paid up capital		
	81,42,833 Equity Shares of face value of ` 10/- each	814.28	
C.	Present Issue in terms of this Draft Letter of Offer⁽¹⁾		
]]]
D.	Issued, subscribed and paid up capital after the Issue (assuming full subscription for and allotment of the Rights Entitlement)		
]]]
E.	Securities premium account		
	Before the Issue		1,393.90
	After the Issue ⁽²⁾]

Notes:

- (1) The Issue has been authorised by the Board of Directors of our Company under Section 62 and other provisions of the Companies Act, 2013 at their meeting held on October 09, 2018.
- (2) Assuming full subscription for and allotment of the Rights Entitlement.

Notes to the Capital Structure

1. Details of the outstanding instruments:

As on the date of this Letter of Offer, our Company does not have any outstanding warrants, outstanding instruments with option to convert or securities which are convertible at a later date into Equity Shares.

2. Our Company does not have a stock option scheme.
3. The shareholding pattern of our Company as on September 30, 2018 is as follows:

(a) Summary statement holding of specified securities

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form
							No. (a)	As a % of total shares held (b)	
(A) Promoter & Promoter Group	6	44,66,738	44,66,738	54.85	44,66,738	54.85	3,25,000	7.28	44,66,133
(B) Public	12,193	36,76,095	36,76,095	45.15	36,76,095	45.15		-	35,16,246



Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form
							No. (a)	As a % of total shares held (b)	
(C1) Shares underlying DRs				-		-		-	
(C2) Shares held by Employee Trust				-		-		-	
(C) Non Promoter-Non Public				-		-		-	
Grand Total	12,199	81,42,833	81,42,833	100.00	81,42,833	100.00	3,25,000	3.99	79,82,379

(b) Statement showing shareholding pattern of the Promoter and Promoter Group

Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
A1) Indian							
Individuals/Hindu undivided Family	2	26,29,525	26,29,525	32.29	3,25,000	12.36	26,28,920
Surinder Paul Kanwar	1	26,28,920	26,28,920	32.29	3,25,000	12.36	26,28,920
Raunaq Singh	1	605	605	0.01		-	
Any Other (specify)	4	18,37,213	18,37,213	22.56		-	18,37,213
Ultra Consultants Private Limited	1	7,66,038	7,66,038	9.41		-	7,66,038
Future Consultants Private Ltd	1	6,45,071	6,45,071	7.92		-	6,45,071
Raunaq EPC International	1	2,93,300	2,93,300	3.60		-	2,93,300



Category of Shareholder	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of locked in shares		No. of equity shares held in dematerialized form
					No. (a)	As a % of total shares held (b)	
Limited							
Vibrant Finance and Investment Private Limited	1	1,32,804	1,32,804	1.63		-	1,32,804
Sub Total A1	6	44,66,738	44,66,738	54.85	3,25,000	7.28	44,66,133
A2) Foreign							
A=A1+A2	6	44,66,738	44,66,738	54.85	3,25,000	7.28	44,66,133

(c) Statement showing shareholding pattern of the public shareholder

Category & Name of the Shareholders	No. of shareholders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form (Not applicable)
							No. (a)	As a % of total shares held (b)	
B1) Institutions									
Mutual Funds	2	250	250	-	250	-		-	
Financial Institutions/ Banks	7	11,990	11,990	0.15	11,990	0.15		-	10,578
Any Other (specify)	2	2,700	2,700	0.03	2,700	0.03		-	
UTI	2	2,700	2,700	0.03	2,700	0.03		-	
Sub Total B1	11	14,940	14,940	0.18	14,940	0.18		-	10,578
B2) Central Government / State Government (s)/ President of India									
B3) Non-									



Category & Name of the Shareholders	No. of share holders	No. of fully paid up equity shares held	Total no. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) as a % of (A+B+C2)	No. of voting rights	Total as a % of Total Voting Right	No. of locked in shares		No. of equity shares held in dematerialized form (Not applicable)
							No. (a)	As a % of total shares held (b)	
Institutions									
Individual share capital upto ` 2 Lacs	11,495	25,39,345	25,39,345	31.19	25,39,345	31.19		-	23,87,907
Individual share capital in excess of ` 2 Lacs	7	2,86,729	2,86,729	3.52	2,86,729	3.52		-	2,86,729
Any Other (specify)	680	8,35,081	8,35,081	10.26	8,35,081	10.26		-	8,31,032
IEPF	1	43,669	43,669	0.54	43,669	0.54		-	43,669
Trusts	1	5,000	5,000	0.06	5,000	0.06		-	5,000
HUF	270	1,94,182	1,94,182	2.38	1,94,182	2.38		-	1,94,182
Non-Resident Indian (NRI-Non-Repatriation basis)	65	53,965	53,965	0.66	53,965	0.66		-	53,965
Non-Resident Indian (NRI-Repatriation basis)	101	72,044	72,044	0.88	72,044	0.88		-	72,044
Clearing Members	92	79,665	79,665	0.98	79,665	0.98		-	79,665
Bodies Corporate	150	3,86,556	3,86,556	4.75	3,86,556	4.75		-	3,82,507
Sub Total B3	12,182	36,61,155	36,61,155	44.96	36,61,155	44.96		-	35,05,668
B=B1+B2+B3	12,193	36,76,095	36,76,095	45.15	36,76,095	45.15		-	35,16,246

4. Except as under, none of the Equity Shares held by our Promoter and Promoter Group have been locked-in or pledged or has any encumbrance on such Equity Shares:

3,25,000 Equity Shares issued to our Promoter, Mr. Surinder Paul Kanwar on a preferential basis on November 03, 2017 are subject to lock-in till December 14, 2020.



5. Details of the shareholders holding more than one percent (1%) of the share capital of our Company as on September 30, 2018, is as follows:

No.	Name of Shareholder	No. of equity shares held	% of total no. of shares
1.	Mr. Surinder Paul Kanwar	26,28,920	32.29
2.	Ultra Consultants Private Limited	7,66,038	9.41
3.	Future Consultants Private Limited	6,45,071	7.92
4.	Raunaq EPC International Limited	2,93,300	3.60
5.	Vibrant Finance and Investment Private Limited	1,32,804	1.63
6.	SMC Global Securities Limited	1,03,775	1.27

6. None of our Promoter and Promoter Group have acquired any Equity Shares in the last one year immediately preceding the date of filing of this Draft Letter of Offer with SEBI.

7. Intention and extent of participation by our Promoter and Promoter Group in the Issue:

Our Promoter and entities forming part of our Promoter Group have, *vide* their letters dated December 4, 2018 (the "**Subscription Letters**") indicated their intention to: subscribe, jointly and/or severally to the full extent of their Rights Entitlement and subscribe to the full extent of any Rights Entitlement renounced in their favour by any other Promoter or member of the Promoter Group of our Company.

Our Company is in compliance with Regulation 38 of the SEBI Listing Regulations and will continue to comply with the minimum public shareholding requirements pursuant to the Issue.

8. The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the Takeover Regulations is ₹ 100.00.
9. All the Equity Shares of our Company are fully paid-up and there are no partly paid-up Equity Shares on the date of this Draft Letter of Offer. Further, the Rights Equity Shares when issued shall be fully paid-up.
10. No person connected with the Issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any Investor for making an application in the rights issue, except for fees or commission for services rendered in relation to the Issue.



SECTION V - PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The proceeds from the Issue are proposed to be utilized for the purposes of financing identified equipment.

Our Memorandum of Association enables us to pursue our existing activities, and the activities for which the funds are being raised by our Company in the Issue.

Requirement of funds & Means of finance

The proposed utilization of Issue Proceeds is set forth below:

(in ` lakhs)

Sr. No.	Particulars	Amount
1.	Financing of Identified Equipment	1,668.11
2.	Issue Expenses]
	Total]

Means of Finance

(in ` lakhs)

Sr. No.	Source	Amount
1.	Proceeds of the Issue	Up to 1,500.00
2.	Internal Accruals]
	Total]

The fund requirements set out in the Objects of the Issue are proposed to be met entirely from the Proceeds of the Rights Issue and internal accruals. Accordingly, our Company confirms that there is no requirement to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue as required under SEBI ICDR Regulations.

DETAILS OF THE OBJECTS OF THE ISSUE

Over the past four decades our Company has developed advanced gear manufacturing capabilities. We are the preferred supplier of automotive gears for heavy, medium & light trucks, utility vehicles, tractors & off highway vehicles. We have emerged as one of the largest gear manufacturers for OEMs in India & major exporter to North American, European & Asian countries. We manufacture more than half a million Hypoid/Spiral ring gear sets to service a variety of vehicles. We manufacture differential gears of various sizes as well as sub-assemblies. We manufacture over four million transmission components annually.

Technological upgradation & process innovations have continued to be our key drivers of differentiation. Enhanced productivity through retro fitting and re-furbishing of machines and optimizing efficiency at every level has given us the competitive edge. We strive for continuous product development & innovative methods to enhance our manufacturing capabilities to cater to the stringent quality requirements of the customers. We continue to invest in technology upgradation to remain a leader in adopting latest technology in gear manufacturing. In order to cater to the growing demand domestically and from overseas customers in the key sectors serviced by the Company, we need to continually invest in our manufacturing capabilities.

We have identified following key equipment for immediate use and to be financed through the proposed Rights Issue of equity shares:

(in ` lakhs)

Sr. No.	Particulars	Amount
1.	Gear Grinding Machine	650.26
2.	Gear Cutting Machine	818.85
3.	Robot for Continuous Gas Carburising Furnace	199.00
	Total	1,668.11

**KEY FEATURES OF EQUIPMENT:****1. Gear Grinding Machine:**

We have procured and installed a state-of-the-art gear grinding machine at our Mumbra plant. Same is procured from Klingelberg GMBH, Germany. This machine has the ability to produce most complex gear geometries of the highest standard. Some of the other features of this machine are:

- Compact, easy to handle and flexible generating and profile form gear grinding machine with extensive software options.
- Gear inspection system on machine. Quality measurement according to DIN3962, AGMA 2000/2015 & ISO 1328 standards
- Diagnostic system with error messages, warnings & information texts

The cost of the machine is ₹ 650.26 lakhs and we have procured the same from the manufacturer on credit. The payment for the same is required to be made as per the details mentioned in the breakup of cost. The machine has already been installed and has been able to provide the required output and has enhanced our capacity and efficiency in the critical grinding operation.

2. Gear Cutting Machine:

We have procured a gear cutting machine from Klingelberg AG, Switzerland and installed the same at our Faridabad plant. This machine is highly efficient and environment friendly. Some of the technical features of this machine are as follows:

- 6 axis CNC bevel dry cutting machine
- Equipped with integrated deburring system
- Optimum energy efficiency coupled with higher productivity
- Equipped with efficient automation system
- Improved gear quality & surface finish
- Environment friendly

The cost of the machine is ₹ 818.85 lakhs and we have procured the same from the manufacturer on credit. The payment for the same is required to be made as per the details mentioned in the breakup of cost. The machine has already been installed and has been able to provide the required output and has enhanced our capacity and efficiency in the critical gear cutting operation.

3. Robot for Continuous Gas Carburising Furnace:

We had developed capability of constructing furnaces initially for captive use. Over a period of time taking advantage of our core competency in heat treatment technology, we commenced constructing furnaces as an important commercial activity. Our technology and expertise in furnace building coupled with expertise in commissioning, operations and process control gave us an edge in all aspects of heat treating equipment.

Heat treating of gears, a critical aspect of gear production, is the process of surface treatment / case carburising and quenching to attain required hardness.

Heat treatment of spiral bevel gears (crown wheels), which are main stay of our operations, has been a manually intensive operation where each gear must be removed from the furnace manually and placed on a fixture on an external press for quenching. One of the factors which adversely affects the results of this operation is the variability in terms of timing, placement, fatigue, handling damage etc. due to the variations in handling by operators. The solution to this is a well-designed and controlled robotic transfer system which will generate consistent quality of products along with associated benefits of increased production.

With spurt in demand in the recent past, the company has decided to implement application of Robotic Automation system for the new Continuous Gas Carburising Furnace at Faridabad plant.

**BREAK UP OF THE COST**

The detailed breakup of the estimated cost on the basis of quotations received/orders placed is as given below:

Sr. No.	Description of the machinery	Name of the Supplier	Date of placement of order & Status	Cost of the Equipment (Foreign Currency-EUR)	Total cost in lakhs	Payment terms
1.	Gear Grinding Machine at Mumbra plant #	KlingelInberg GMBH, Germany	22/02/2018	771,825	650.26 (Note 1)	₹ 90% of the order value to be paid on 365 th day from date of bill of lading. (Date of bill of lading: April 16, 2018) ₹ 10% of the order value to be paid on 395 th day after successful commissioning & final acceptance of machine
			Installed			
2.	Gear Cutting Machine at Faridabad plant##	KlingelInberg AG, Switzerland	06/03/2018	971,924	818.85 (Note 1)	100% of the order value to be paid on 410 th day from date of bill of lading. (Date of bill of lading: September 3, 2018)
			Installed			
3.	Robot for Continuous Gas Carburising Furnace at Faridabad plant	Fanuc India Private Limited	18/06/2018	N.A.	99.15*	₹ 30% advance against Advance Bank Guarantee ₹ 70% with Taxes against Proforma Invoice
	Accessories with System Engineering for Robotic Automation		To be installed		99.85*	₹ 30% advance against Advance Bank Guarantee ₹ 60% advance with Taxes against Proforma Invoice ₹ 10% on successful Installation & Commissioning
Total					1,668.11	

The machine has been installed in the plant and commissioned in July, 2018.

The machine has been installed in the plant and commissioned in November, 2018.

*Total advance of ₹ 59.70 lakhs has been paid towards the said machine and its accessories.

Notes:

1. Conversion based on exchange rate of ₹ 84.25/EUR as on September 28, 2018.
2. All Machines are of New condition.



Issue Expenses

The Issue related expenses consist of fees payable to the Lead Manager, Legal Counsel, processing fee to the SCSBs, Registrars to the Issue, printing and stationery expenses, advertising expenses and all other incidental and miscellaneous expenses for listing the Rights Equity Shares on the Stock Exchanges. Our Company will need approximately ₹ 1.25 crore for these expenses, a break-up of the same is as follows:

(₹ in lakhs)

Activity	Estimated Expense	% of Total Expenses	As a % of Issue size
Fees to intermediaries (including Lead Managers fees, Legal fees, selling commission*, registrar fees and expenses)	0.75	60.00	60.00
Advertising, Printing, Stationery & Distribution	0.10	8.00	8.00
Statutory and other miscellaneous expenses	0.40	32.00	32.00
Total estimated Issue expenses	1.25	100.00	100.00

*Includes Commission/ processing fees to the Designated Intermediaries. Designated Intermediaries would be entitled for a processing fee of ₹ 100 for processing of valid Application forms procured by such Intermediaries. Additionally, the SCSBs will be entitled for a fee of ₹ 100 per application for blocking of funds.

Schedule of Utilization and Deployment of Funds

The Issue Proceeds are expected to be deployed in accordance with the schedule set forth below:

(₹ in lakhs)

Sr. No.	Particulars	Amount already spent / to be spent		Total amount to be deployed
		Fiscal 2019	Fiscal 2020	
1.	Gear Grinding Machine	-	650.26	650.26
2.	Gear Cutting Machine	-	818.85	818.85
3.	Robot for Continuous Gas Carburising Furnace	199.00	-	199.00
4.	Issue Expenses	0.75	-	0.75
	Total			1668.86

For Gear Grinding and Gear Cutting machine, the company enjoys supplier credit. Accordingly, as per the terms, payment for these machines shall be made in FY 2019-20.

For Robot for Continuous Gas Carburising Furnace the company has paid advance of ₹ 59.70 lacs. Balance payments shall be released based on progress of delivery/installation of equipment. Total payment is expected to be completed in FY 2018 -19.

As indicated above, our Company proposes to deploy the entire Issue Proceeds towards the Objects as described during Fiscal 2019 and 2020. In the event of the estimated utilization of the Issue Proceeds in the scheduled Fiscal is not undertaken in its entirety, the remaining Issue Proceeds shall be utilized in subsequent Fiscals, as may be decided by our Company, in accordance with applicable laws. Further, if the Issue Proceeds are not completely utilised for the Objects during the respective period stated above due to factors such as (i) economic and business conditions; (ii) timely completion of the Issue; (iii) market conditions outside the control of our Company; and (iv) any other commercial considerations, the remaining Issue Proceeds shall be utilised (in part or full) in subsequent periods as may be determined by our Company in accordance with applicable laws. Similarly, subject to our business considerations, our Company may also use the Issue Proceeds in the preceding Fiscal, if it is in the best interests of our Company.

The requirement and deployment of funds indicated above is based on internal management estimates, current circumstances of our business and prevailing market conditions. The requirement and deployment of funds described herein has not been verified by the Lead Manager nor have the Object been appraised by any bank or other financial institution. **Risk Factors** of the Objects for which we propose to utilize Issue proceeds are not appraised by any Bank or Financial Institution and our Management will have flexibility in applying the issue proceeds.



Sources of financing of funds already deployed

Our Company has deployed ₹ 88,042 million under the Public Offer of ₹ 37.423 million by M/s Madan & Associates, Chartered Accountants vide certificate dated November 19, 2018. The details of which are as under:

(` in lakhs)

Particulars	Amount
DEPLOYMENT OF FUNDS	
- Advances to Supplier	59.70
- Rights Issue Expenses	6.50
Total	66.20
SOURCES OF FUNDS	
- Internal Accruals	66.20
Total	66.20

Strategic and/ or Financial Partners

There are no Strategic and Financial partners to the objects of the issue.

Appraisal

None of the Objects of the Issue have been appraised by any bank or financial institution.

Bridge Financing Facilities

We have not availed any bridge financing facilities for the meeting the expenses as stated under the Objects of the Issue.

Interim Use of Funds

The Issue Proceeds pending utilization for the objects described above shall be deposited with scheduled commercial banks included in second schedule of Reserve Bank of India Act, 1934.

Monitoring of Utilization of Funds

Our Board of Directors will monitor the utilization of the Issue Proceeds. The Company will disclose the utilization of the Issue Proceeds under a separate head in our balance sheet along with the relevant details, for all such amounts that have not been utilized. The Company will indicate investments, if any, of unutilized Issue Proceeds in the Balance Sheet of the Company for the relevant Financial Years subsequent to receipt of listing and trading approvals from the Stock Exchanges.

Pursuant to Clause 32 of the SEBI Listing Regulation, the Company shall, on a quarterly basis, disclose to the Audit Committee the uses and applications of the Issue Proceeds. In accordance with Clause 32 of the SEBI Listing Regulation, the Company shall furnish to the Stock Exchanges, on a quarterly basis, a statement on material deviations, if any, in the utilization of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results after placing the same before the Audit Committee.

Variation in Objects

In accordance with Section 13(8) and Section 27 of the Companies Act, 2013 and applicable rules, our Company shall not vary the Objects of the Issue without our Company being authorized to do so by the Shareholders by way of a special resolution through postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution (the "*Postal Ballot Notice*") shall specify the prescribed details as required under the Companies Act and applicable rules. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Hindi, the vernacular language of the jurisdiction where the Registered Office is situated. Our Promoters or controlling Shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the Objects, at such price, and in such manner, as may be prescribed by SEBI, in this regard.

Other Confirmations

No part of the proceeds from the Issue will be paid by the Company as consideration to our Promoters, Promoter Group Companies, our Directors, or Key Managerial Personnel.



THE COMPANY AND ITS SHAREHOLDERS UNDER THE APPLICABLE TAX LAWS IN INDIA

Outlined below are the possible special tax benefits available to the Company and its shareholders under the Income-tax Act, 1961, the Central Goods and Services Act, 2017, The State Goods and Services Act 2017, The Integrated Goods and Services Tax Act 2017 and The Union Territory Goods and Services Tax Act, 2017, presently in force in India.

I. Special tax benefits available to the Company

There are no special tax benefits available to the Company.

II. Special tax benefits available to Shareholders

There are no special tax benefits available to the shareholders for investing in the shares of the Company.

Notes:

1. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income-tax consequences that apply to them.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
3. The above statement covers only above mentioned tax laws benefits and does not cover benefits under any other law.



SECTION VI - ABOUT THE COMPANY

HISTORY AND CERTAIN CORPORATE MATTERS

Corporate Profile and Brief History

Our Company was incorporated in India on December 23, 1971 as Bharat Gears Limited * ÷ D I under the provisions of the Companies Act, 1956. Our Company received Certificate of Commencement of Business on January 05, 1972 issued by the Registrar of Companies, Delhi & Haryana. The Corporate Identification Number of our Company is L29130HR1971PLC034365. Our Company was founded by late Dr. Raunaq Singh, father of Mr. Surinder Paul Kanwar. Late Dr. Raunaq Singh was instrumental in strengthening the Company to the position it is in today.

Changes in our Registered Office:




Date	Particulars of registered office	Reason of change in registered office
Incorporation	Initially, registered office of the Company was situated at Allahabad Bank Building, 17, Parliament Street, New Delhi-110 001	N.A.
October 01, 1987	Registered Office of the Company shifted from Allahabad Bank Building, 17, Parliament Street, New Delhi-110001 to Chiranjiv Tower, 43 Nehru Place, New Delhi 6110 019	Administrative convenience
December 13, 1990	Registered Office of the Company shifted from Chiranjiv Tower, 43 Nehru Place, New Delhi ó 110019 to Allahabad Bank Building, 17, Parliament Street, New Delhi-110 001	Administrative convenience
November 02, 1992	Registered Office of the Company shifted from Allahabad Bank Building, 17, Parliament Street, New Delhi-110001 to Chiranjiv Tower, 43 Nehru Place, New Delhi ó110 019	Administrative convenience
October 08, 1999	Registered Office of the Company shifted from Chiranjiv Tower, 43, Nehru Place, New Delhi to 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad ó1210 03, Haryana	Administrative convenience

Business

We are engaged in the manufacturing of a wide range of gears for heavy, medium and light duty commercial vehicles, buses, tractors, construction equipment, utility vehicles, forklift trucks, cooling towers, etc. Our business segments can be categorised into following types:

- < Gears
- < Automotive Components
- < Furnaces



 <p>Gear Products</p> <ul style="list-style-type: none"> Bevel Gears & Pinions Transmission gears & Shafts Differential Gears Gear Boxes 	 <p>Automotive Components</p> <ul style="list-style-type: none"> Automotive Clutch Turbo Chargers Driveline products Fly Wheel Assemblies & Rings U-J Cross, Steering components Differential Cages Steel Wheel Rims 	 <p>Furnaces</p> <ul style="list-style-type: none"> Sealed Quench Furnaces Pusher Continuous Gas Carburising Furnace Other Heat Treating Equipment
--	---	--

BGL manufactures a wide range of Bevel (hypoid/spiral) gears, Straight Bevel (Differential) gears, Transmission gears and shafts, complete automotive transmissions, gearbox sub-assemblies and differential assemblies. BGL had a technical and financial collaboration from 1985 to 2007 with ZF Friedrichshafen AG, Germany, one of the leading manufacturers of drivelines and chassis for automobiles. To keep pace with technology, BGL has invested in high end dry cut hobbing machines, dry cut bevel gear cutting machines as well as state of the art testing facilities.

With a view to capitalize on impressive pan India distribution network, BGL also started supplies of wide array of automotive parts which includes Automotive Clutch and components, Turbo Chargers and components, Driveline Products, Axle Shafts, Fly Wheel Assemblies & Rings, Propeller Shaft components, U-J Cross, Steering Components, Differential Cages, Steel Wheel Rims among many others through existing dealership network.

BGL also manufactures sealed quench furnaces, continuous gas carburising, rotary furnaces, etc. It also undertakes reconditioning of old furnaces on behalf of customers. BGL had a technical collaboration with AFC-Holcroft, USA from 1981 to 2005. The Company has entered into fresh technical collaboration agreement with AFC-Holcroft, USA since April 2010 for a period of 10 years.

With capacities of the existing units at Mumbra and Faridabad being utilised to the maximum extent, Lonand plant was setup with a conscious decision to grow capacities while maintaining an optimum size for each individual plant in the year 2013.

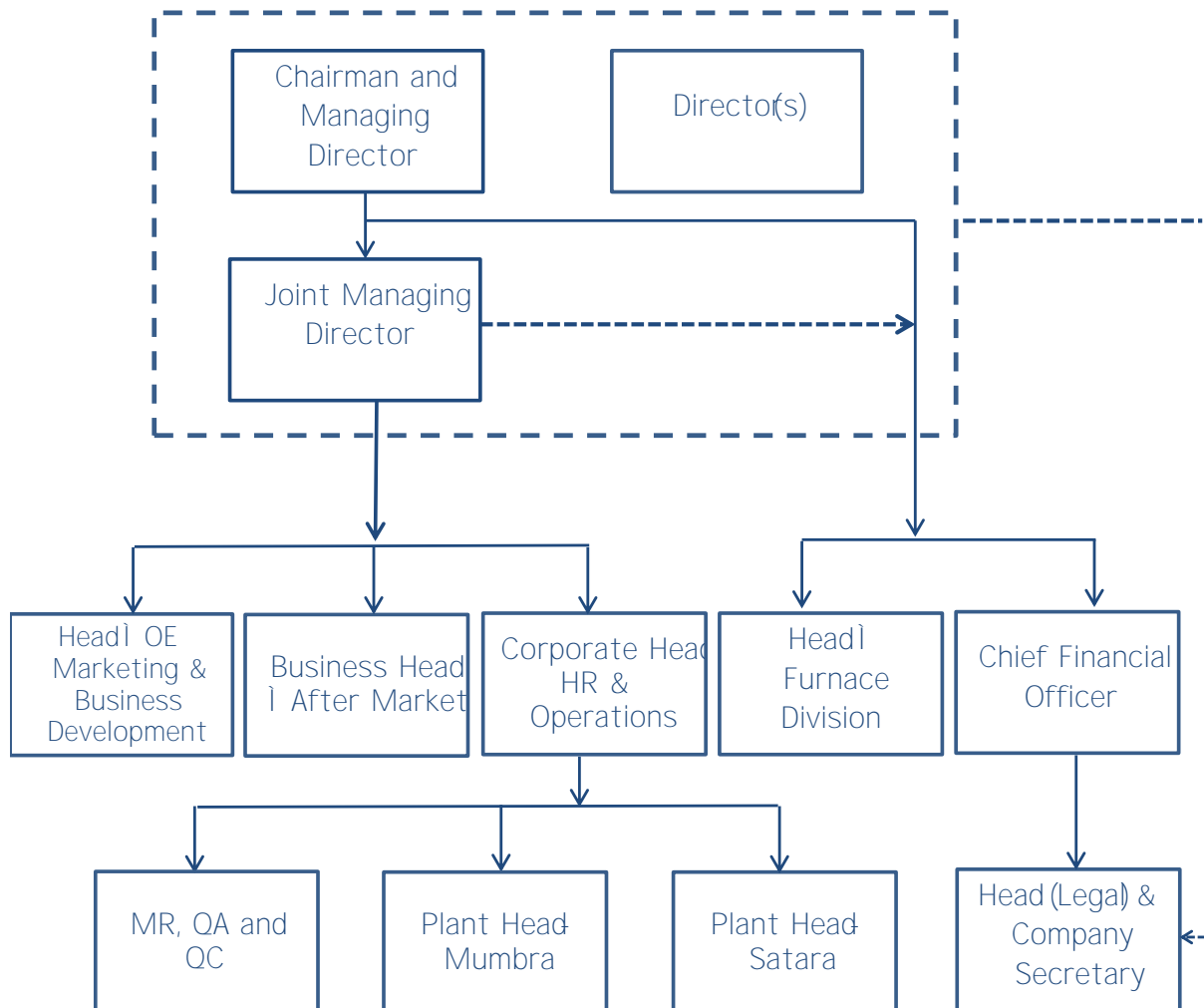
While India remains the primary market, the Company is steadily growing its exports, mainly to North American countries like USA, Canada, Mexico, Europe, Japan, South Africa, etc. BGL has strong technology and human resource base to meet the exacting standards of the most demanding customers in the world.

Our modern manufacturing facilities, which includes state-of-the-art machinery for gear cutting, gear shaping, hobbing, shaving, gear grinding, gear testers and induction hardening machines, are located at Mumbra near Mumbai, Faridabad near Delhi and Lonand near Satara.

The Equity Shares of our Company are listed on BSE and NSE. For Fiscal Year 2018 our total income was ₹ 51,541.63 lakhs with a net profit after tax of ₹ 630.30 lakhs.



The corporate structure of our Company is as under:



Main Objects of our Company

The main objects of our Company as set forth in the Memorandum of Association of our Company are as follows:

1. To carry on business of designing, manufacturing, developing, hiring, repairing, buying, selling and dealing in gears of all types including in particular Spiral Bevel, Straight Bevel, Spur and Helical and Worm Gears.
2. To carry on the business as manufacturers, exporters, repairers and dealers in ring gears and pinion sets, transmission gears and complete differential and components thereof and all parts, equipment, accessories thereof and all other materials, equipment, purchase of stores used therein or in any relation thereof.
3. To carry on business as manufacturers and dealers in ball and roller bearings and bearings of all kinds.
4. To carry on the business as Merchant Exporters and Dealers in all kinds of engineering, metallurgical and other goods.
5. To carry on the business as manufacturers, producer, designers, importers, exporters, traders, buyers, sellers, suppliers, indenters, agents, sub-agents, jobbers, brokers, repairers, cleaners, run, manage, operate or deal in and operate all types of aviations, aeroplanes, seaplanes, flying boats, hovercrafts, helicopters, light sports aircraft and other craft or conveyances appropriate for the carriage of passengers, freight and mails by air and all or any parts, equipment, engines, machinery and plant relating thereto and to carry out and conduct any tests, experiments, research or development, recondition and service aircrafts and other apparatus of every description capable of being flown or navigated in the air, whether powered or not, necessary or expedient for



such purposes and to purchase, take on lease, hire, take license of, train pilots or acquire or sell, develop, manage, run, let out, or give any exclusive of other right or interest in aerodromes, parking, landing grounds, airports, helipads, land and sea planes bases, hangers, machine shops, engineering shops, sheds for servicing, maintain and landing all kinds of aircraft in any part of the world and to obtain and hold from any state, sovereign, governmental or semi-governmental authority, any licenses, authorities or rights, necessary or convenient for such purposes.

Major events in the history of our Company

Year	Events
1972	Foundation Stone laid at Mumbra Factory
1974	K p c w i w t c v k q p " q h " v j g " J { r q k f " R n c p v " c p f " e
1980	H k t u v " ÷ Q g t n k m q p " U r k t q o c v k e o l e b f g h p i r s t c o m p a n i e s i n " India to have both cutting systems under one roof
1981-2005 2010-till date	Agreement for Technical Collaboration signed with AFC-Holcroft, USA for construction of furnaces in India
1985-2007	Technical & Financial Collaboration agreement with ZF AG Germany
1987	Delivery for ZF S6-36 Gears & Shafts to Ashok Leyland Ltd. and ZF AG Germany
	Start of Assembly of ZF S5-24 Gear Boxes for Ashok Leyland
1988	Start of business with DANA Corporation, USA
1994	Received ISO 9002
1996	Crossed turnover of ` 1 billion
1998	Foundation stone for Faridabad Plant laid
2000	Start of commercial production in Faridabad
	Received QS 9000 for Mumbra Plant
2004	BGL Faridabad starts supply to Toyota Kirloskar Auto Parts
	BGL Faridabad receives ISO 14001 certification
2005	BGL Faridabad & Mumbra receives TS 16949 certification
2008	Introduction of Dry Cut Hobbing process
2009	Introduction of Klinglenberg Close Loop CNC Gear Measuring system
2010	Introduction of Bevel Gear dry cutting process with close loop technology
2011	BGL Faridabad receives OHSAS 18001 certification
2012	Factory Foundation laid by BGL at Lonand near Satara, Maharashtra
2014	Commencement of commercial production at Lonand, near Satara, Maharashtra
2015	BGL Satara receives TS 16949; ISO/14001 and OHSAS 18001 certification
2018	BGL Mumbra, Faridabad and Satara plant receive IATF 16949 certification



OUR MANAGEMENT

Board of Directors

The Articles of Association of our Company provides that our Company shall have not less than four and not more than fifteen Directors on our Board, unless otherwise determined by our Company in a general meeting.

As on the date of this Draft Letter of Offer, our Company has seven (7) Directors out of which one (1) is a Chairman and Managing Director, one (1) is Joint Managing Director, one (1) is a Non-Executive Director and Four (4) are Non-Executive Independent Directors.

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer.

Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
1.	<p>Mr. Surinder Paul Kanwar</p> <p><i>Designation:</i> Chairman and Managing Director</p> <p><i>Date of Birth:</i> July 28, 1952</p> <p><i>Date of first Appointment:</i> September 29, 1982</p> <p><i>Address:</i> A-3, Greater Kailash - I, New Delhi 110048</p> <p><i>Occupation:</i> Business</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> September 30, 2020</p> <p><i>DIN:</i> 00033524</p>	66	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Raunaq EPC International Limited 2. Cliplok Simpak (India) Private Limited 3. Xlerate Driveline India Limited 4. Vibrant Finance and Investment Private Limited 5. Future Consultants Private Limited 6. Ultra Consultants Private Limited
2.	<p>Mr. Sameer Kanwar</p> <p><i>Designation:</i> Joint Managing Director</p> <p><i>Date of Birth:</i> December 24, 1977</p> <p><i>Date of first Appointment:</i> February 01, 2002</p> <p><i>Address:</i> 402, Royale Retreat II, Charmwood Village, Suraj Kund Road, Faridabad 121009, Haryana</p> <p><i>Occupation:</i> Business</p> <p><i>Nationality:</i> Canadian</p> <p><i>Date of expiration of the current term of office:</i> May 31, 2021</p> <p><i>DIN:</i> 00033622</p>	41	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Nexus Driveline India Private Limited 2. Samreet Investment and Management Consultancy Private Limited



Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
3.	<p>Mr. Wolfgang Rudolf Schilha</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> March 14, 1951</p> <p><i>Date of first Appointment:</i> July 26, 2007</p> <p><i>Address:</i> 88069 Tettnang Flurstrasse 18 DE, Germany</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> German</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years from the date of AGM held on August 04, 2016</p> <p><i>DIN:</i> 00374415</p>	67	<p><i>Other Directorships</i></p> <p>NIL</p>
4.	<p>Mr. Rakesh Chopra</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> October 17, 1950</p> <p><i>Date of first Appointment:</i> January 25, 2007</p> <p><i>Address:</i> C-204, Sarvodaya Enclave, New Delhi, 110017</p> <p><i>Occupation:</i> Professional</p> <p><i>Nationality:</i> Indian</p> <p><i>Date of expiration of the current term of office:</i> Five (5) years from the date of AGM held on July 31, 2015</p> <p><i>DIN:</i> 00032818</p>	68	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Minda Corporation Limited 2. GPR Enterprises Private Limited 3. Pragma Holdings Private Limited 4. Cleantec Infra Private Limited 5. Kempty Cottages Private Limited <p><i>Trusteeships</i></p> <ol style="list-style-type: none"> 1. Indraprastha Cancer Society
5.	<p>Mr. Virendra Kumar Pargal</p> <p><i>Designation:</i> Non-Executive Independent Director</p> <p><i>Date of Birth:</i> February 05, 1933</p> <p><i>Date of first Appointment:</i> January 24, 2002</p> <p><i>Address:</i> Flat No.-16, Ganga Jamuna, 17th Road,</p>	85	<p><i>Other Directorships</i></p> <ol style="list-style-type: none"> 1. Raunaq EPC International Limited 2. Xlerate Driveline India Limited



Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships/ partnerships/ trusteeships/ proprietorship
	<p>Santacruz West, Mumbai 6 400 054, Maharashtra</p> <p>Occupation: Professional</p> <p>Nationality: Indian</p> <p>Date of expiration of the current term of office: Five (5) years from the date of AGM held on July 31, 2015</p> <p>DIN: 00076639</p>		
6.	<p>Ms. Hiroo Suresh Advani</p> <p>Designation: Non-Executive Independent Director</p> <p>Date of Birth: March 4, 1945</p> <p>Date of first Appointment: January 30, 2014</p> <p>Address: 403, Shivala, Sobani Road, Colaba, Mumbai - 400 005, Maharashtra</p> <p>Occupation: Professional</p> <p>Nationality: Indian</p> <p>Date of expiration of the current term of office: Five (5) years from the date of AGM held on August 01, 2014</p> <p>DIN: 00265233</p>	73	<p>Other Directorships</p> <p>NIL</p>
7.	<p>Mr. Nagar Venkatraman Srinivasan</p> <p>Designation: Non-Executive Director</p> <p>Date of Birth: April 04, 1944</p> <p>Date of first Appointment: November 03, 2017</p> <p>Address: B-904, Usha Nagar CHS Ltd, Bhandup West, Mumbai - 400 078, Maharashtra</p> <p>Occupation: Professional</p> <p>Nationality: Indian</p> <p>Date of expiration of the current term of office: One (1) year from the date of AGM held on August 03, 2018</p> <p>DIN: 00879414</p>	74	<p>Other Directorships</p> <p>1. Raunaq EPC International Limited</p>



Relationship between our Directors:

Name of the Directors	Relationship between Directors
Mr. Surinder Paul Kanwar	Father of Mr. Sameer Kanwar
Mr. Sameer Kanwar	Son of Mr. Surinder Paul Kanwar

Except as stated above, none of the other Directors are related to each other.

Brief Biographies of Directors:

Mr. Surinder Paul Kanwar, Chairman and Managing Director

Mr. Surinder Paul Kanwar (66 years) is the Chairman & Managing Director of our Company. A Commerce graduate from Delhi University, Mr. Surinder Paul Kanwar is experienced & has in-depth knowledge of the core business of the Company i.e. Automotive Gears. He has exposure in all business verticals and is engaged in supervision & conduct of business of the Company, along with a team of senior management personnel, who assist him in carrying out his activities, subject to the overall supervision & control of the Board of Directors.

He has been associated with Late Dr. Raunaq Singh Group since 1975. He has also worked at various managerial positions in various Raunaq Group Companies viz. BST Manufacturing Limited (Bharat Steel Tubes Limited), Raunaq EPC International Limited (Raunaq International Limited), Raunaq & Company Pvt. Ltd., to name a few. Mr. S. P. Kanwar is on the board of our Company since September 29, 1982. He is the Chairman and Managing Director since October 29, 2002. He is also the Chairman & Managing Director of Raunaq EPC International Limited, a company engaged in engineering and consulting business.

Mr. Sameer Kanwar, Joint Managing Director

Mr. Sameer Kanwar (41 years) is a third generation Entrepreneur. As Executive Director-Strategic Planning of Bharat Gears Limited, he has spearheaded the Business Operations of the Faridabad plant of the Company. He holds a Bachelor of Arts Degree from York University, Canada. He received two years training in the areas of Planning, Finance and Control at ZF Friedrichshafen AG, Germany. He has overall experience and exposure in Marketing, Purchase and Management. Mr. Sameer Kanwar is the Joint Managing Director of the Company since June 01, 2008.

Mr. Wolfgang Rudolf Schilha, Non-Executive Independent Director

Mr. Wolfgang Rudolf Schilha (67 years) is a Non-Executive Independent Director of our Company. He was a member of the Board of Directors since February 26, 1986 as a representative of ZF Friedrichshafen AG, Germany, the foreign collaborators of our E q o r c p { 0 " J g " t g v k t g f " h t q o " \ H " I g t o c p President, International Strategic Projects of the Commercial Vehicle division of ZF, after having managed Truck and Bus Transmission Sales, ZF Corporate Worldwide Service Network and up to June 2013 the strategic business unit Bus Driveline Technology at ZF. He was also the Chairman of ZF Drivetech (Suzhou) Ltd. in Suzhou, PR China, ZF Beiben Drivetech Company Ltd. Chongqing PRC and Chairman of the Supervisory Board of ZF Hungaria Kft. in Eger, Hungary. He has international exposure on various facets of Auto Industry as a whole including Gear Technology. He is having expertise in the area of sales, marketing and service.

Mr. Rakesh Chopra, Non-Executive Independent Director

Mr. Rakesh Chopra (68 years) is a Non-Executive Independent Director of our Company. He has been associated with the Company with more than a decade. He is a qualified Chartered Accountant (England & Wales) and an MBA graduate from Cranfield University, U.K. He has spearheaded various industry groups at top management levels including Escorts till September 2006. He has experience of around -46 years. Apart from our company he is a director and Audit Committee Chairman in Minda Corporation Limited, director in G.P.R. Enterprises Pvt. Ltd., Kempty Cottages Pvt. Ltd. and Pragma Holdings Pvt. Ltd. He is also Founder member and Chairman of Indraprastha Cancer Society.

**Mr. Virendra Kumar Pargal, Non-Executive Independent Director**

Mr. Virender Kumar Pargal (85 years) is a Non-Executive Independent Director of our Company since January 22, 2002. Mr. Pargal is a qualified Chartered Engineer and Member of The Institution of Engineering and Technology, England. He started his career with intensive training in Roots Group (Manufacturers of Humber-Hillman range of motor vehicles) of United Kingdom and thereafter played a significant role in development & manufacturing of advanced machine tools. In India, he has a distinguished spell with Mahindra & Mahindra Limited, serving at various senior level positions.

Ms. Hiroo Suresh Advani, Non-Executive Independent Director

Ms. Hiroo Suresh Advani (73 years) is a Non-Executive Independent Director of the Company since January 30, 2014. She is a post graduate in Arts. She has over 45 years of work experience in the field of Trade Finance, Project Finance, Corporate Banking, Technology Upgradation Programme (TUF) etc. in the organisations viz. Reserve Bank of India, Industrial Development Bank of India, Export Import Bank of India (EXIM Bank) etc. She has also served as Nodal officer of EXIM Bank for CDR Cell and represented EXIM Bank for TUF meetings Ministry of Textiles, GOI. She worked as Chief General Manager with EXIM Bank till 2005 and subsequently upon retirement, she served as Adviser in EXIM Bank till March 2009.

Mr. Nagar Venkatraman Srinivasan, Non-Executive Director

Mr. Nagar Venkatraman Srinivasan (74 years) is a Non-Executive Director of our Company since November 3, 2017. He is a graduate in Mechanical Engineering. He has done MS in Industrial Engineering from University of Illinois and he is an MBA from Graduate School of Business from the University of Pittsburgh in USA. He has rich experience of 50 years. Having started his career with Larsen & Toubro Limited, Mr. Srinivasan joined Bharat Gears Limited in the year 1976. Over the years he served at various senior level positions in materials, manufacturing and general management. He retired from the company, after a long stint of 33 years, as Corporate Business Head having overall responsibility of all the operations of the Company. He continues to be associated with the company as Technical and Management Advisor.

Past Directorships in listed companies

None of the Directors is or were a director of any listed company during the last five years preceding the date of filing of the Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

None of the Directors is or was a director of any listed company during the last ten years preceding the date of filing of the Draft Letter of Offer, which has been or was delisted from any recognised stock exchange in India during the term of their directorship in such company.

Other confirmations

Our Company has not entered into any service contracts with our Directors, which provide for benefits upon termination of their directorship.

We confirm that as on the date of this Draft Letter of Offer, there are no arrangements or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed on the Board of Directors as a member of the senior management.

**SECTION VII óFINANCIAL INFORMATION****FINANCIAL STATEMENTS**

Particulars	Page No.
K p f g r g p f g p v " C w f k v q t ø u " T g r q t v	57 to 62
Audited Financial Statement for the Year Ended March 31, 2018	63 to 113
Unaudited Financial Results for the six (6) months period ended September 30, 2018, which are subjected to Limited Review by Statutory Auditors of the Company, prepared in accordance with recognition and measurement principles of Ind AS 34 and Regulation 33 of SEBI (LODR) Regulations, 2015	114 to 117



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BHARAT GEARS LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Bharat Gears Limited** ("the Company"), which comprise the Balance Sheet as at 31 March, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS 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 accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control 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, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Ind AS financial statements.

Opinion

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

Other Matter

The comparative financial information of the Company for the year ended 31 March, 2017 and the transition date opening balance sheet as at 01 April, 2016 included in these Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 audited by the predecessor auditor whose report for the year ended 31 March, 2017 and 31 March, 2016 dated 23 May, 2017 and 24 May, 2016 respectively expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
 2. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and 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, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of written representations received from the directors as on 31 March, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 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 2" to this report;
 - (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 has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 29.1(i) to the Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Pramod Kumar Bapna

Place: Mumbai
Date: 30 May, 2018

Partner
Membership Number: 105497



Annexure 1 referred to in paragraph 1 to Report on Other Legal and Regulatory Requirements of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for loans taken by the Company are held in the name of the Company based on the confirmations directly received by us from lenders. In respect of immovable property of land that has been taken on lease and building constructed thereon, the lease agreement is in the name of the Company, where the Company is the lessee in the agreement. However, in case of freehold land at one of the locations, the Company observed that the area and name mentioned in the records of the Government does not match with the Indenture of Conveyance, for which the Company has initiated necessary action for correction.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture of certain products of the Company and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and services tax, cess and other statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and services tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of the dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	730,115	Assessment Year 2013-2014	Income Tax Appellate Tribunal

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.



- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised money by way of initial public offer, further public offer or debt instruments.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Pramod Kumar Bapna

Partner

Place: Mumbai
Date: 30 May, 2018

Membership Number: 105497



Annexure 2 to the Independent auditor's report of even date on the Ind AS Financial Statements of Bharat Gears Limited

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 **Bharat Gears Limited** ("the Company") as of 31 March, 2018 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, 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 internal financial controls over financial reporting with reference to these financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these financial statements to future periods are subject to the risk that the internal financial



control over financial reporting with reference to these financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at 31 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 **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Pramod Kumar Bapna

Place: Mumbai
Date: 30 May, 2018

Partner
Membership Number: 105497



BALANCE SHEET

as at 31 March, 2018

Particulars	Notes	₹ lacs		
		As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
A. ASSETS				
1. Non-current assets				
(a) Property, plant and equipment	5(A)	11210.68	10162.06	11073.15
(b) Capital work-in-progress		236.32	159.46	347.94
(c) Intangible assets	5(B)	100.23	116.63	141.34
(d) Financial assets				
(i) Loans	6(A)	128.66	114.24	98.46
(ii) Others	7(A)	157.81	203.25	200.11
(e) Deferred tax assets (net)	30(C)	208.14	78.51	7.70
(f) Other non-current assets	8	450.93	494.93	573.28
Total non-current assets		12492.77	11329.08	12441.98
2. Current assets				
(a) Inventories	9	7702.76	6242.95	5734.42
(b) Financial assets				
(i) Trade receivables	10	12817.78	9232.05	7983.53
(ii) Cash and cash equivalents	11(A)	24.65	46.01	68.08
(iii) Bank balances other than (ii) above	11(B)	509.15	517.53	514.39
(iv) Loans	6(B)	52.16	36.50	33.50
(v) Others	7(B)	356.93	198.44	152.39
(c) Other current assets	12	2558.26	1414.22	1179.35
(d) Current tax assets (net)	13	58.72	37.91	62.95
Total current assets		24080.41	17725.61	15728.61
Total assets		36573.18	29054.69	28170.59
B. EQUITY AND LIABILITIES				
1. EQUITY				
(a) Equity share capital	14(A)	814.28	781.78	781.78
(b) Other equity	14(B)	6967.92	5865.74	5989.17
Total equity		7782.20	6647.52	6770.95
LIABILITIES				
2. Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	15	7867.70	3725.12	5121.58
(ii) Other financial liabilities	16(A)	114.72	-	-
(b) Provisions	17(A)	449.57	435.51	447.97
(c) Other non-current liabilities	18	1256.32	1186.63	1059.69
Total non-current liabilities		9688.31	5347.26	6629.24
3. Current liabilities				
(a) Financial liabilities				
(i) Borrowings	19	4982.51	5237.38	4271.67
(ii) Trade payables	20	11706.80	8902.77	7551.97
(iii) Other financial liabilities	16(B)	1772.88	2428.72	2338.95
(b) Provisions	17(B)	91.42	90.47	111.70
(c) Other current liabilities	21	307.68	400.57	496.11
(d) Current tax liabilities (net)	17(C)	241.38	-	-
Total current liabilities		19102.67	17059.91	14770.40
Total equity and liabilities		36573.18	29054.69	28170.59

See accompanying notes to the Financial Statements

As per our report of even date

For **S R B C & CO LLP**

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

For and on behalf of the Board of Directors of Bharat Gears Limited

per **Pramod Kumar Babna**

Partner

Membership No: 105497

Surinder Paul Kanwar

Chairman and Managing Director

(DIN : 00033524)

Sameer Kanwar

Joint Managing Director

(DIN : 00033622)

V.K. Pargal (DIN : 00076639)

W.R. Schilha (DIN : 00374415)

Rakesh Chopra (DIN : 00032818)

Hiroo Suresh Advani (DIN : 00265233)

Directors

Milind Pujari

Chief Financial Officer

(PAN : AAAPP3554C)

Prashant Khattry

Head (Legal) & Company Secretary

(PAN : AOQPK8734B)

Place: Mumbai

Date: 30 May, 2018



STATEMENT OF PROFIT AND LOSS

for the year ended 31 March, 2018

		₹ lacs		
Particulars	Notes	For the year ended 31 March, 2018	For the year ended 31 March, 2017	
1.	Revenue from operations	22	51383.67	43437.38
2.	Other income	23	157.96	114.05
3.	Total income (1+2)		51541.63	43551.43
4.	Expenses			
	(a) Cost of materials and components consumed	24(A)	24347.81	18974.37
	(b) Changes in inventories of finished goods and work-in-progress	24(B)	(743.93)	(387.32)
	(c) Excise duty on sale of goods (including scrap sale)		645.41	2759.28
	(d) Employee benefits expense	25	8726.34	7716.46
	(e) Finance costs	26	1684.24	1481.44
	(f) Depreciation and amortisation expense	27	1828.11	1669.26
	(g) Other expenses	28	14129.35	11566.02
	Total expenses		50617.33	43779.51
5.	Profit/(Loss) before tax (3-4)		924.30	(228.08)
6.	Tax expense/(credit) (net)			
	(a) Current tax	30(A)	425.00	-
	(b) Deferred tax	30(C)	(131.00)	(82.00)
	Total tax expense/(credit)		294.00	(82.00)
7.	Profit/(Loss) for the year (5-6)		630.30	(146.08)
8.	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	- Re-measurement gains on defined benefits obligations		3.95	33.84
	- Income tax effect		(1.37)	(11.19)
	Other comprehensive income for the year (net of tax)		2.58	22.65
9.	Total comprehensive income for the year (7+8)		632.88	(123.43)
10.	Earnings per share (Face value of ₹ 10/- each):			
	Basic and Diluted - in ₹	34	7.93	(1.87)

See accompanying notes to the Financial Statements

As per our report of even date

For **S R B C & CO LLP**

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Chartered Accountants

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per **Pramod Kumar Bapna**

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Prashant Khattry

Head (Legal) & Company Secretary
(PAN : AOQPK8734B)

Place: Mumbai

Date: 30 May, 2018



STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March, 2018

(A) Equity share capital

Particulars	₹ lacs
Balance as at 01 April, 2016	781.78
Balance as at 31 March, 2017	781.78
Change in equity during the year: Preferential issue of equity shares (Refer Note 14(A))	32.50
Balance as at 31 March, 2018	814.28

(B) Other equity

Particulars	Reserve and Surplus				Other comprehensive income	Total
	Capital redemption reserve	Securities premium account	General reserve	Retained earnings	Remeasurements of the defined benefit obligations	
Balance as at 1 April, 2016	588.50	924.60	1756.45	2719.62	-	5989.17
Loss for the year	-	-	-	(146.08)	-	(146.08)
Other comprehensive income (net of tax)	-	-	-	-	22.65	22.65
Balance as at 31 March, 2017	588.50	924.60	1756.45	2573.54	22.65	5865.74
Profit for the year	-	-	-	630.30	-	630.30
Other comprehensive income (net of tax)	-	-	-	-	2.58	2.58
Change in equity during the year: Preferential issue of equity shares (net of share issue expenses of ₹ 9.49 lacs (Refer Footnote (iii) of Note 14(A)))	-	469.30	-	-	-	469.30
Balance as at 31 March, 2018	588.50	1393.90	1756.45	3203.84	25.23	6967.92

See accompanying notes to the Financial Statements

As per our report of even date

For **S R B C & CO LLP**

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

For and on behalf of the Board of Directors of Bharat Gears Limited

per Pramod Kumar Bapna
Partner
Membership No: 105497

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Directors

Place: Mumbai
Date: 30 May, 2018

Milind Pujari
Chief Financial Officer
(PAN : AAAPP3554C)

Prashant Khattry
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)



STATEMENT OF CASH FLOWS

for the year ended 31 March, 2018

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
A. Cash flows from operating activities:		
Net profit/(loss) before tax	924.30	(228.08)
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation expense	1828.11	1669.26
Loss on sale/write off of property, plant and equipment (net)	0.65	1.57
Finance costs	1375.71	1259.80
Interest income	(70.35)	(95.59)
Rent expenses	8.10	7.66
Employee benefits expense	7.65	6.27
Liabilities/provisions no longer required written back	(28.53)	(16.54)
Allowance for doubtful debts	23.17	20.94
Bad debts written off	9.08	6.53
Provision for slow and non-moving inventory	46.00	-
Other amounts written off	0.99	-
Unrealised exchange loss (net)	10.50	33.75
Operating profit before working capital changes	4135.38	2665.57
<u>Changes in working capital</u>		
Adjustments for (increase)/decrease in operating assets:		
Inventories	(1505.81)	(508.53)
Trade receivables	(3517.86)	(1322.66)
Financial assets - loans	(26.30)	(21.34)
Financial assets - others	(98.86)	(43.76)
Other current and non-current assets	(1079.44)	(309.14)
Adjustments for increase/(decrease) in operating liabilities:		
Trade payables	2816.75	1367.42
Other financial liabilities	(70.96)	(7.09)
Other current and non-current liabilities	(16.98)	65.24
Provisions	36.91	(33.69)
Cash generated from operations	672.83	1852.02
Income tax (paid)/refund (net)	(59.64)	173.56
Net cash flows from operating activities (A)	613.19	2025.58
B. Cash flows from investing activities:		
Purchase of property, plant and equipment and intangible assets (including capital work-in-progress, capital advances)	(2141.22)	(581.60)
Proceeds from sale of property, plant and equipment	17.67	15.85
Bank balances (including non-current) not considered as cash and cash equivalents (net)	(2.17)	(9.37)
Interest received	48.27	84.47
Increase in balance in unpaid dividend account	5.86	1.91
Net cash flows used in investing activities (B)	(2071.59)	(488.74)


Statement of Cash Flows for the year ended 31 March, 2018 Contd.

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
C. Cash flows from financing activities:		
Proceeds from long-term borrowings	8000.00	700.00
Preferential issue of equity shares (net of share issue expenses of ₹ 9.49 lacs)	501.80	-
Unsecured loan from Director	(500.00)	500.00
Repayment of long-term borrowings	(4978.33)	(2470.96)
Net increase/(decrease) in short-term borrowings	1007.94	703.74
Interest paid	(1332.93)	(1252.17)
Dividends paid	(5.86)	(1.91)
Finance lease obligation	-	(12.43)
Net cash flows from/(used in) financing activities (C)	2692.62	(1833.73)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	1234.22	(296.89)
Cash and cash equivalents at the beginning of the year	(2794.45)	(2510.41)
Add: Effect of exchange differences on restatement of foreign currency Cash and cash equivalents	7.23	12.85
Cash and cash equivalents at the end of the year (Refer Note 11(C))	(1553.00)	(2794.45)

The above Statement of Cash Flows has been prepared under the 'indirect method' as set out in Indian Accounting Standard 7 'Statement of Cash Flows'

See accompanying notes to the Financial Statements

As per our report of even date

For **S R B C & CO LLP**

ICAI Firm Registration Number:- 324982E/E300003

Chartered Accountants

For and on behalf of the Board of Directors of Bharat Gears Limited

per Pramod Kumar Bapna
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Membership No: 105497

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Directors

Place: Mumbai
Date: 30 May, 2018

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Chief Financial Officer
(PAN : AAAPP3554C)

Prashant Khattry
Head (Legal) & Company Secretary
(PAN : AOQPK8734B)



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March, 2018

Note 1 : Corporate information

Particulars

Bharat Gears Limited is a public limited company domiciled in India and is incorporated on 23 December, 1971. The registered office of the Company is located at 20 K.M. Mathura Road, P.O. Amar Nagar, Faridabad, Haryana -121003. The Company has three manufacturing locations; two in the state Maharashtra at Mumbra, Thane and Lonand, Satara and one in the state of Haryana at Faridabad. Its shares are listed on two recognized stock exchanges in India. The Company is primarily engaged in the Automotive Gears business and all other activities revolving around the same.

The financial statements were approved by the Board of Directors and authorised for issue on 30 May, 2018.

Note 2 : Significant accounting policies

Note

Particulars

2.1 Basis of preparation:

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Rules, 2016. For all periods up to and including the year ended 31 March 2017, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31 March, 2018 are the Company's first Ind AS financial statements. The date of transition to Ind AS is 01 April, 2016. Refer Note 4 for information on how the Company adopted Ind AS.

The financial statements have been prepared on the historical cost basis. 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 (₹) which is also the Company's functional currency. All values are rounded to nearest lacs with two decimal except when otherwise indicated.

2.2 Current versus non-current classification:

Based on the nature of products/activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as twelve months for the purpose of classification of its assets and liabilities as current and non-current.

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

2.3 Foreign currencies:

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the Statement of Profit and Loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.4 Fair value measurement:

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. Fair value for measurement and/or disclosure in these financial statements is determined on such a basis.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which are described as follows:



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
	<p>Level 1 inputs</p> <p>Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.</p> <p>Level 2 inputs</p> <p>Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Level 2 inputs include:</p> <ul style="list-style-type: none"> -quoted prices for similar assets or liabilities in active markets -quoted prices for identical or similar assets or liabilities in markets that are not active -inputs other than quoted prices that are observable for the asset or liability, for example-interest rates and yield curves observable at commonly quoted interval -implied volatilities -credit spreads -inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs') <p>Level 3 inputs</p> <p>Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.</p> <p>For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.</p>
2.5	<p>Property, plant and equipment:</p> <p>Capital work-in-progress, property, plant and equipment are stated at cost of acquisition or construction, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets upto the date the assets are ready for use. The estimated useful lives, residual values, are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.</p> <p>When an item of property, plant and equipment is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.</p> <p>Depreciation on property, plant and equipment has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.</p>



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
	Estimated useful lives of the the assests are as follows:
	Buildings : 3 - 60 years
	Plant and equipments (owned/on lease) : 15 years
	Office equipments : 3 - 6 years
	Furniture and fixtures : 8 -10 years
	Vehicles : 8 years
	The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
	Leasehold land was amortised over the remaining period of lease.

2.6 Intangible assets:

Intangible assets (i.e computer software) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Computer software are amortised on straight line basis over the estimated useful life of 6 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

2.7 Inventories:

Inventories are valued at the lower of cost and net realisable value, except for scrap which is valued at net realisable value.

Cost comprises of material cost and expenditure incurred in normal course of business in bringing inventories to its location and includes, where applicable, appropriate overheads.

Material cost is arrived at on weighted average basis.

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

2.8 Impairment of assets:

At the end of each reporting period, the Company assesses whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted at their present value using the pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
2.9 Cash and cash equivalents:	<p>Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.</p> <p>For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.</p>
2.10 Financial instruments:	<p>A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments.</p> <p>(i) Initial recognition and measurement:</p> <p>Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the Statement of Profit and Loss.</p> <p>(ii) Subsequent measurement of financial assets:</p> <p>All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.</p> <p>(iii) Derecognition of financial assets:</p> <p>The Company derecognises a financial asset when and only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the Statement of Profit and Loss if such gain or loss would have otherwise been recognised in the Statement of Profit and Loss on disposal of that financial asset.</p> <p>(iv) Impairment of financial assets:</p> <p>The Company applies the expected credit loss model for recognising impairment loss on financial assets. The Company follows 'simplified approach' for recognition of impairment loss allowance. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.</p> <p>(v) Subsequent measurement of financial liabilities:</p> <p>All the financial liabilities are subsequently measured at amortised cost using the effective interest rate method or at fair value through profit and loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.</p> <p>(vi) Derecognition of financial liabilities:</p> <p>A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.</p>



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
2.11 Provisions & Contingencies:	<p>Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past event; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are based on best estimate of the expenditure required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. 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 (when the effect of the time value of money is material).</p> <p>Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.</p> <p>Contingent liability is disclosed in the case of:</p> <ul style="list-style-type: none"> - a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; - a present obligation arising from past events, when no reliable estimate is possible; - a possible obligation arising from past events, unless the probability of outflow of resources is remote. <p>A contingent asset is disclosed where an inflow of economic benefits is probable.</p> <p>Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.</p> <p>A contingent asset is disclosed where an inflow of economic benefits is probable.</p> <p>Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.</p>
2.12 Revenue recognition:	<p>Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and inclusive of excise duty but excluding other taxes or duties collected on behalf of the government.</p> <p>The specific recognition criteria described below must also be met before revenue is recognised.</p> <p>(a) Sale of goods and rendering of services:</p> <p>Revenue from sale of goods and rendering of services including export benefits thereon are recognised when the products are shipped or services rendered, i.e. when significant risks and rewards of ownership are passed on to the customers. Sales are net of sales tax/value added tax, GST and trade discounts.</p> <p>(b) Construction contracts:</p> <p>Revenue from contracts for construction of furnaces is recognised on the percentage of completion method based on the stage of completion determined with reference to the contract costs incurred up to the year end and the estimated total costs of the contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.</p> <p>(c) Tooling development income:</p> <p>Net income, if any, from development of tools is recognised as income as and when the development of tool is complete or on expiry of five years from completion of development, whichever is earlier.</p> <p>(d) Interest income:</p> <p>Interest income is recorded on time proportion basis using the effective interest rate (EIR).</p>



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
2.13 Retirement and other employee benefits:	
(i) Retirement benefit costs and long term compensated absences	
	<p>Payment to defined contribution retirement benefit plans i.e recognised provident fund and superannuation fund are recognised as an expense when employees have rendered service entitling them to the contributions.</p> <p>Company's liability towards gratuity, compensated absences and terminal ex-gratia is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the return of plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income (OCI) in the period in which they occur. Remeasurement recognised in the other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability or asset. Defined benefit costs are categorised as follows:</p> <ul style="list-style-type: none"> • service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); • net interest expense or income; and • remeasurement <p>The Company presents the first two components of defined benefit costs in the Statement of Profit and Loss in the line item "Employee benefits expense". Curtailment gains and losses are accounted for as past service cost.</p> <p>The retirement benefit obligation recognised in the balance sheet 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 refunds from the plans or reductions in future contributions to the plans.</p>
(ii) Other employee benefits	
	<p>A liability is recognized for benefits accruing to the employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.</p> <p>Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of related service.</p> <p>Voluntary retirement scheme payouts are recognised as an expense in the period in which they are incurred.</p>
2.14 Borrowing costs:	
	<p>Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.</p>
2.15 Leases:	
	<p>Assets leased by the Company in its capacity as a lessee, where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. Such leases are capitalised at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.</p>



Note 2 : Significant accounting policies.... Contd.

Note	Particulars
	Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

2.16 Taxes on income:

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax:

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Current income tax relating to items recognised outside profit or loss are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant taxpaying units intend to settle the asset and liability on a net basis.

(b) Deferred tax:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss (either in other comprehensive income or in equity).

2.17 Earnings per share:

Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of shares outstanding during the year is adjusted for events such as bonus issue that have changed the number of shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit/(loss) for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity.



Note 3 : Use of estimates and judgements

Particulars

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which results are known/materialised.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- (i) Property, plant and equipment - Refer Notes 2.5 & 5(A)
- (ii) Intangible assets - Refer Notes 2.6 & 5(B)
- (iii) Revenue recognition from Construction contracts - Refer Notes 2.12(b) & 22
- (iv) Taxes on income - Refer Notes 2.16 & 30
- (v) Retirement and other employee benefits - Refer Notes 2.13 & 32

Note 4 : First-time adoption of Ind AS – mandatory exceptions and optional exemptions:

Note	Particulars
A.	Overall principle:
	The Company has prepared the opening Balance Sheet as per Ind AS as of 01 April, 2016 (the transition date) by recognizing all assets and liabilities whose recognition is required by Ind AS, not recognizing items of assets and liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognized assets and liabilities. However, this principle is subject to certain exceptions and certain optional exemptions availed by the Company as detailed below:
	(a) Mandatory exceptions:
	(i) Accounting estimates:
	The Company's estimates in accordance with Ind AS at the date of transition are consistent with previous GAAP (after adjustments to reflect any difference in accounting policies) or are required under Ind AS but not under previous GAAP.
	(ii) De-recognition of financial assets and financial liabilities:
	The Company has applied the de-recognition requirements of financial assets and financial liabilities prospectively for transactions occurring on or after 01 April, 2016 (the transition date).
	(iii) Classification and measurement of financial assets:
	The Company has determined the classification and measurement of financial assets in terms of whether they meet the amortised cost criteria or the fair value criteria based on the facts and circumstances that existed as on the transition date.
	(iv) Impairment of financial assets:
	The Company has applied the impairment requirements of Ind AS 109 retrospectively; however, as permitted by Ind AS 101, it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind AS, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101.



Note 4 : First-time adoption of Ind AS – mandatory exceptions and optional exemptions: Contd.

Note	Particulars
(b)	<p>Optional Exemptions:</p> <p>(i) Deemed cost for property, plant and equipment and intangible assets:</p> <p>Since there is no change in the functional currency, the Company has elected the exemption of previous GAAP carrying value of all its Property, plant and equipment and Intangible assets recognised as of 01 April, 2016 (transition date) as deemed cost.</p> <p>(ii) Determining whether an arrangement contains a lease:</p> <p>The Company has applied Appendix C of Ind AS 17 to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.</p>
B.	<p>Standards issued but not effective:</p> <p>On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115- Revenue from Contract with Customers and certain amendment to existing Ind AS. These amendments shall be applicable to the Company from 01 April, 2018.</p> <p>(a) Issue of Ind AS 115 - Revenue from Contracts with Customers:</p> <p>Ind AS 115 will supersede the current revenue recognition guidance including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and the related interpretations. Ind AS 115 provides a single model of accounting for revenue arising from contracts with customers based on the identification and satisfaction of performance obligations. The Company principally satisfies its performance obligation at a point in time and the amounts of revenue recognized relating to performance obligation satisfied over time are not significant. The accounting for revenue under Ind AS 115 does not, therefore, represent a substantive change from the Company's current practice of recognising revenue from sale to customers.</p> <p>(b) Amendment to existing issued Ind AS:</p> <p>The MCA has also carried out amendments to the following accounting standards. These are:</p> <p>(i) Ind AS 12 – Income Taxes</p> <p>(ii) Ind AS 21 – The Effects of Changes in Foreign Exchange Rates</p> <p>Application of the above standards is not expected to have any significant impact on the Company's Financial Statements.</p>



Note 5(A) : Property, plant and equipment

Description of assets	₹ lacs								Total
	Land - freehold @	Buildings **	Plant and equipments - owned	Plant and equipments - on lease \$	Office equipments \$\$	Furniture and fixtures	Vehicles	Leasehold improvement	
I. At cost or deemed cost									
Balance as at 01 April, 2016 (Deemed cost)	672.11	2580.24	7122.53	176.18	178.17	342.97	0.86	0.09	11073.15
Additions	-	42.41	613.57	-	65.07	11.40	-	-	732.45
Disposals	-	-	(15.50)	-	(1.91)	-	-	-	(17.41)
Balance as at 31 March, 2017	672.11	2622.65	7720.60	176.18	241.33	354.37	0.86	0.09	11788.19
Additions	-	86.26	2672.06	-	72.58	22.51	-	-	2853.41
Disposals	-	-	(17.70)	-	(0.43)	(0.17)	-	-	(18.30)
Balance as at 31 March, 2018	672.11	2708.91	10374.96	176.18	313.48	376.71	0.86	0.09	14623.30
II. Depreciation/Impairment									
Balance as at 01 April, 2016	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	119.28	1351.53	40.47	61.07	53.56	0.22	-	1626.13
Balance as at 31 March, 2017	-	119.28	1351.53	40.47	61.07	53.56	0.22	-	1626.13
Depreciation charge for the year	-	121.42	1507.93	40.47	61.97	54.49	0.21	-	1786.49
Balance as at 31 March, 2018	-	240.70	2859.46	80.94	123.04	108.05	0.43	-	3412.62
Net book value (I-II)									
Balance as at 31 March, 2018	672.11	2468.21	7515.50	95.24	190.44	268.66	0.43	0.09	11210.68
Balance as at 31 March, 2017	672.11	2503.37	6369.07	135.71	180.26	300.81	0.64	0.09	10162.06
Balance as at 01 April, 2016	672.11	2580.24	7122.53	176.18	178.17	342.97	0.86	0.09	11073.15

(@) Includes certain area of freehold land, where the name mentioned in the records of the Government do not match with the indenture of conveyance available with the Company in respect of such land. The Company has initiated necessary action for correction.

(**) Building include 10 shares of ₹ 50/- each in Venkatesh Premises Co-operative Society Ltd. - Total ₹ 500/- (As at 31 March, 2017: ₹ 500; As at 01 April, 2016: ₹ 500/-).

(\$) Includes items of Plant and equipment having Net book value of ₹ 95.24 lacs (As at 31 March, 2017: ₹ 135.71 lacs; As at 01 April, 2016: ₹ 132.26 lacs) in respect of which lease periods have expired, the transfer in the name of Company is under process.

(\$\$) Includes Computers and miscellaneous equipment.

Note 5(B) : Intangible assets

Description of assets	₹ lacs	
		Computer software acquired
I. At cost or deemed cost		
Balance as at 01 April, 2016 (Deemed cost)		141.34
Additions		18.42
Disposals		-
Balance as at 31 March, 2017		159.76
Additions		25.22
Disposals		-
Balance as at 31 March, 2018		184.98
II. Amortisation		
Balance as at 01 April, 2016		-
Amortisation expense for the year		43.13
Balance as at 31 March, 2017		43.13
Amortisation expense for the year		41.62
Balance as at 31 March, 2018		84.75
Net book value (I-II)		
Balance as at 31 March, 2018		100.23
Balance as at 31 March, 2017		116.63
Balance as at 01 April, 2016		141.34

Footnotes:

(i) For details of Property, plant and equipment charged as security for borrowings Refer Note 15.

(ii) For Property, plant and equipment and Intangible assets existing as at 01 April, 2016 i.e date of transition to Ind AS, the Company has used previous GAAP carrying values as deemed cost as permitted by Ind AS 101- First time adoption. Accordingly, the net written down value as per previous GAAP as at 01 April, 2016 has been considered as deemed cost under Ind AS.



Note 6 : Financial assets - Loans

(A) Non-current				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Loans and advances to employees				
Unsecured, considered good	128.66	114.24	98.46	
Total	128.66	114.24	98.46	
(B) Current				
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Loans and advances to employees				
Unsecured, considered good	52.16	36.50	33.50	
Total	52.16	36.50	33.50	

Note 7 : Financial assets - Others

(A) Non-current				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
(a) Security deposits (Refer Footnote (i) below)				
Unsecured, considered good	97.36	147.52	148.71	
(b) Balances with banks				
In fixed deposits (Refer Footnote (ii) below)	60.18	55.49	51.17	
(c) Interest accrued and receivable				
Unsecured, considered good	0.27	0.24	0.23	
Total	157.81	203.25	200.11	

Footnote:

- (i) Security deposits include ₹ 7.26 lacs (As at 31 March, 2017: ₹ 53.57 lacs, As at 01 April, 2016: ₹ 55.80 lacs) due from directors and ₹ 2.23 lacs (As at 31 March, 2017: ₹ 4.22 lacs, As at 01 April, 2016: ₹ 3.77 lacs) due from a private limited company, in which directors of the Company are directors.
- (ii) Represent deposit, the receipts for which are held by Tata Capital Financial Services Limited towards security deposit for availing operating lease facility.

(B) Current				
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Unsecured, considered good				
(a) Security deposit (Refer Footnote below)	139.40	78.53	76.00	
(b) Accruals				
Interest accrued on deposits	3.34	0.82	8.04	
(c) Due from customers for contract work (Refer Note 35(A))	-	15.75	-	
(d) Due from Related party Services rendered to Xlerate Driveline India Limited (XDIL) (Refer Note 33(C))	41.96	42.31	32.18	
(e) Other recoveries	8.22	19.56	20.24	
(f) Others	164.01	41.47	15.93	
Total	356.93	198.44	152.39	

Footnote:

Security deposits include ₹ 60.00 lacs (As at 31 March, 2017: ₹ 8.93 lacs, As at 01 April, 2016: ₹ Nil) due from director and ₹ 2.50 lacs (As at 31 March, 2017: ₹ Nil, As at 01 April, 2016: ₹ Nil) due from a private limited company, in which directors of the Company are directors.



Note 8 : Other non-current assets

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
Unsecured, considered good			
(a) Capital advances	187.41	32.08	28.87
(b) Prepaid expenses	50.12	51.43	50.81
(c) Prepaid tooling expenses	153.12	185.03	118.69
(d) Advance income tax (net of provisions ₹ Nil (As at 31 March, 2017: ₹ 35.00 lacs, As at 01 April, 2016: ₹ 343.65 lacs))	-	166.11	314.63
(e) Others	60.28	60.28	60.28
Total	450.93	494.93	573.28

Note 9 : Inventories

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(a) Raw materials and components:			
- Automotive gears	1232.69	587.50	489.89
- Automotive components	81.27	68.39	35.53
	1313.96	655.89	525.42
(b) Work-in-progress:			
- Automotive gears	3626.55	2464.09	2184.55
(c) Finished goods:			
- Automotive gears	1008.44	1371.06	1280.71
- Automotive components	190.98	246.89	229.46
	1199.42	1617.95	1510.17
(d) Stores and spares	499.37	523.84	518.63
(e) Loose tools	1056.51	976.67	988.16
(f) Scrap	6.95	4.51	7.49
Total	7702.76	6242.95	5734.42

Footnotes:

- (i) The cost of inventories recognised as an expense during the year ₹ 23603.88 lacs (Year ended 31 March, 2017: ₹ 18587.05 lacs).
- (ii) The cost of inventories recognized as an expense includes ₹ 62.72 lacs (Year ended 31 March, 2017: ₹ 87.68 lacs) in respect of provision for slow and non moving inventory and write-down (net) of inventory to net realisable value.
- (iii) The mode of valuation of inventories has been stated in Note 2.7
- (iv) For details of inventories provided as security for borrowings Refer Note 19.



Note 10 : Trade receivables

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
Trade receivables outstanding for a period exceeding six months from the date they were due for payment			
Unsecured, considered good	56.43	15.67	29.26
Doubtful debts	22.28	28.41	7.47
	78.71	44.08	36.73
Less: Allowance for doubtful debts	22.28	28.41	7.47
	56.43	15.67	29.26
Other trade receivables			
Unsecured, considered good	12779.75	9216.38	7954.27
Less: Impairment for trade receivable	18.40	-	-
Total	12817.78	9232.05	7983.53

Footnotes:

- (i) Other trade receivables include ₹ 53.24 lacs (As at 31 March, 2017: ₹ 42.14 lacs, As at 01 April, 2016: ₹ Nil) due from a Company, in which directors of the Company are directors.
- (ii) The Company is primarily engaged in manufacturing and selling of Automotive Gears and Components. Credit period varies from customer to customer. Average credit period is 30 - 90 days in respect of export customers and 30 - 60 days from the date of receipt of goods in respect of domestic customers. No interest is recovered on trade receivables for payments received after due date.
- (iii) At 31 March, 2018, the Company had 5 customers (31 March 2017: 4 customers; 01 April, 2016: 4 customers) that owed the Company more than ₹ 500 lacs each and accounted for approximately 56.93 % of all the receivables outstanding (31 March, 2017: 46.03%; 01 April, 2016: 45.66%).
- (iv) The Company maintains an allowance for impairment of receivables accounts based on aging of customer receivables, overdues and historical experience of collections from customer(s).

Movement of impairment of trade receivable (including allowance for doubtful debts):

Particulars	₹ lacs
Balance as at 01 April, 2016	7.47
Add: Created during the year	20.94
Less: Released during the year	-
Balance as at 31 March, 2017	28.41
Add: Created during the year	28.59
Less: Released during the year	16.32
Balance as at 31 March, 2018	40.68

Note 11 : Cash and cash equivalents and other bank balances

(A) Cash and cash equivalents		₹ lacs		
Particulars	As at			
	31 March, 2018	31 March, 2017	01 April, 2016	
(a) Cash on hand	5.62	3.84	14.60	
(b) Balances with banks:				
In current accounts	19.03	42.17	53.48	
Total	24.65	46.01	68.08	



Note 11 : Cash and cash equivalents and other bank balances....Contd.

(B) Other bank balances				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
(a) In earmarked accounts (Refer Footnote below)				
- Unpaid dividend accounts	6.50	12.36	14.27	
(b) Balances held as margin money or security against borrowings, guarantees and other commitments	502.65	505.17	500.12	
Total	509.15	517.53	514.39	

Footnote:

Balances with banks which have restrictions on utilisation.

(C) For the purpose of Statement of Cash flows, cash and cash equivalents comprise of the following:

Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Cash and cash equivalents as above	24.65	46.01	68.08	
Loans repayable on demand - from banks (Refer Note 19)	(1577.65)	(2840.46)	(2578.49)	
Total	(1553.00)	(2794.45)	(2510.41)	

Note 12 : Other current assets

				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Unsecured, considered good				
(a) Prepaid expenses	122.55	106.85	123.68	
(b) Prepaid tooling expenses	-	-	6.60	
(c) Advances to suppliers	55.34	69.86	111.25	
(d) Balances with government authorities				
(i) CENVAT credit receivable	-	429.02	193.78	
(ii) VAT credit receivable	80.14	58.06	36.34	
(iii) Service Tax credit receivable	-	250.89	145.17	
(iv) Goods and Services Tax receivable	1630.94	-	-	
(e) Export incentives receivable	574.24	425.89	540.83	
(f) Others	95.05	73.65	21.70	
Total	2558.26	1414.22	1179.35	

Note 13 : Current tax assets

				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Advance income tax (net of provisions ₹ 35.00 lacs (As at 31 March, 2017: ₹ 11.00 lacs, As at 01 April, 2016: ₹ Nil))				
Unsecured, considered good	58.72	37.91	62.95	
Total	58.72	37.91	62.95	



Note 14 (A) : Equity share capital

Particulars	As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
	Number of shares	₹ lacs	Number of shares	₹ lacs	Number of shares	₹ lacs
(a) Authorised						
Equity shares of ₹ 10 each	10000000	1000.00	10000000	1000.00	10000000	1000.00
Cumulative redeemable convertible or non convertible preference shares of ₹ 100 each	15000000	1500.00	15000000	1500.00	15000000	1500.00
Total	115000000	2500.00	115000000	2500.00	115000000	2500.00
(b) Issued, Subscribed and paid up						
Equity shares of ₹ 10 each, fully paid up, outstanding at the end of the year	8142833	814.28	7817833	781.78	7817833	781.78
Total	8142833	814.28	7817833	781.78	7817833	781.78
(c) Reconciliation of the equity shares outstanding at the beginning and at the end of the reporting period:						
Opening balance	7817833	781.78	7817833	781.78	7817833	781.78
Add: Preferential issue of equity shares (Refer Footnote (iii) below)	325000	32.50	-	-	-	-
Closing balance	8142833	814.28	7817833	781.78	7817833	781.78

Footnotes:

- The Company has only one class of Equity shares having a face value of ₹ 10 each. Every member shall be entitled to be present, and to speak and vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. The Company in General Meeting may declare dividends to be paid to members according to their respective rights. While no dividends shall exceed the amount recommended by the Board, the Company in General Meeting may declare a smaller dividend.
- In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.
- In terms of shareholders approval obtained by way of a postal ballot on 21 October, 2017, the Company has, on 03 November, 2017 allotted 3,25,000 equity shares of face value of ₹ 10/- each to a promoter at a price of ₹ 157.32 per share (including a premium of ₹ 147.32 per share), aggregating to ₹ 511.29 lacs on Preferential Allotment basis. Pursuant to this allotment, the share premium account stands increased by ₹ 469.30 lacs net of share issue expenses of ₹ 9.49 lacs.
- Details of shares held by each shareholder holding more than 5% shares:

Class of shares/Name of shareholder	As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
	Number of shares held	Percentage of shares held	Number of shares held	Percentage of shares held	Number of shares held	Percentage of shares held
Equity shares						
Surinder Paul Kanwar	2628920	32.29	2289667	29.29	2289667	29.29
Ultra Consultants Private Limited	766038	9.41	766038	9.80	766038	9.80
Future Consultants Private Limited	645071	7.92	645071	8.25	645071	8.25



Note 14 (B) : Other equity

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(a) Capital redemption reserve	588.50	588.50	588.50
(b) Securities premium account (Refer Footnote (iii) of Note 14(A))	1393.90	924.60	924.60
(c) General reserve	1756.45	1756.45	1756.45
(d) Retained earnings	3203.84	2573.54	2719.62
(e) Other comprehensive income	25.23	22.65	-
Total	6967.92	5865.74	5989.17

Footnotes:

(i) Description of nature and purpose of reserve

(a) Capital redemption reserve:

Capital redemption reserve was created pursuant to the redemption of preference shares issued in earlier years.

The capital redemption reserve account may be applied by the Company, in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares.

(b) Securities premium account:

Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to "Securities Premium account". The Company may issue fully paid-up bonus shares to its members out of balance lying in securities premium account and the Company can also use this reserve for buy-back of shares.

(c) General reserve:

General Reserve is created out of the profits earned by the Company by way of transfer from surplus in the Statement of Profit and Loss. The Company can use this reserve for payment of dividend and issue of fully paid-up shares.

(ii) The disaggregation of changes in each type of reserve, retained earnings and other comprehensive income are disclosed in Statement of Changes in Equity.



Note 15 : Non current borrowings

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(a) Term loans - Secured (Refer Footnotes (i) and (ii))			
From banks	497.72	1664.68	1465.68
Less: Current maturities of long-term debts (Refer Note 16(B) (a))	205.02	800.55	490.00
	292.70	864.13	975.68
From others	7905.00	3794.32	5762.83
Less: Current maturities of long-term debts (Refer Note 16(B) (a))	330.00	1433.33	1616.93
	7575.00	2360.99	4145.90
(b) Long-term maturities of finance lease obligations - Secured	-	-	12.43
Less: Current maturities of finance lease obligations (Refer Note 16(B) (b)) (Refer Footnote (iii) and Note 31(A) (ii))	-	-	12.43
(c) Loan from Director - Unsecured (Refer Footnotes (iv) and Note 33(C))	-	500.00	-
Total	7867.70	3725.12	5121.58

Footnotes:

(i) Term loans from banks:

(A) Rupee loan from State Bank of India:

₹ Nil (As at 31 March, 2017: ₹ 357.27 lacs, As at 31 March, 2016: ₹ 594.53 lacs): fully repaid during the year.

(B) Rupee loan from IDBI Bank Limited:

₹ Nil (As at 31 March, 2017: ₹ 622.31 lacs, As at 31 March, 2016: ₹ 871.15 lacs): fully repaid during the year.

(C) Rupee loan from HDFC Bank Limited:

₹ 497.72 lacs (As at 31 March, 2017: ₹ 685.10 lacs; As at 01 April, 2016: ₹ Nil): Secured by exclusive charge on office premises situated at Nariman Point, Mumbai. Repayable in forty eight monthly installments by 20 March, 2021 and carries an interest rate of 12.00% p.a.

(ii) Term loans from others:

(A) Rupee loan from Export-Import Bank of India:

(a) ₹ Nil (As at 31 March, 2017: ₹ 200.00 lacs, As at 31 March, 2016: ₹ 600.00 lacs): fully repaid during the year.

(b) ₹ Nil (As at 31 March, 2017: ₹ 525.00 lacs, As at 31 March, 2016: ₹ 825.00 lacs): fully repaid during the year.

(c) ₹ Nil (As at 31 March, 2017: ₹ 1800.00 lacs, As at 31 March, 2016: ₹ 2400.00 lacs): fully repaid during the year.

(B) Rupee loan from Hero FinCorp Limited:

₹ Nil (As at 31 March, 2017: ₹ Nil, As at 31 March, 2016: ₹ 448.45 lacs) was fully repaid as at 31 March, 2017

(C) Rupee loan from Tata Capital Financial Services Limited:

₹ Nil (As at 31 March, 2017: ₹ 1269.32 lacs, As at 31 March, 2016: ₹ 1489.38 lacs): fully repaid during the year.

(D) Rupee loan from KKR India Financial Services Private Limited:

₹ 7905.00 lacs (As at 31 March, 2017: ₹ Nil; As at 01 April, 2016: ₹ Nil): Secured by first pari passu charge created on Fixed Assets of the Company located at Mumbra plant, Faridabad plant and Satara plant. Repayable in quarterly installments commencing from 31 March, 2019 and carries an interest rate of 13% p.a.p.m.

(iii) Finance leases:

₹ Nil (As at 31 March, 2017: ₹ Nil, As at 31 March, 2016: ₹ 12.43 lacs): fully repaid as at 31 March, 2017.

(iv) Loan from Director - Unsecured

₹ Nil (As at 31 March, 2017: ₹ 500 lacs, As at 31 March, 2016: ₹ Nil): fully repaid during the year.



Note 16 : Other financial liabilities

(A) Non-current				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
Interest accrued but not due on borrowings	114.72	-	-	
Total	114.72	-	-	
(B) Current				
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
(a) Current maturities of long-term debts (Refer Note 15):				
From banks	205.02	800.55	490.00	
From others	330.00	1433.33	1616.93	
(b) Current maturities of finance lease obligations (Refer Note 15 and Note 31(A) (ii))	-	-	12.43	
(c) Interest accrued but not due on borrowings	26.30	37.24	51.97	
(d) Unpaid dividends (Refer Footnote below)	6.50	12.36	14.27	
(e) Other payables:				
(i) Payables on purchase of property, plant and equipment (Refer Note 29.1(ii))	1108.66	59.36	75.36	
(ii) Interest accrued on others	28.00	-	3.71	
(iii) Others	68.40	85.88	74.28	
Total	1772.88	2428.72	2338.95	

Footnote:

The figures reflect the position as at the year end. The actual amount to be transferred to the Investor Education and Protection Fund in this respect shall be determined on the due date.

Note 17 : Provisions

(A) Non-current				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
(a) Employee benefits:				
(i) Compensated absences	419.93	382.81	392.18	
(ii) Other employee benefits (Terminal Ex-gratia) (Refer Note 32(B))	29.64	30.80	33.89	
(b) Provision - Others - tax (net of advance tax ₹ Nil (As at 31 March, 2017: ₹ 1213.15 lacs, As at 01 April, 2016: ₹ 1198.21 lacs))	-	21.90	21.90	
Total	449.57	435.51	447.97	
(B) Current				₹ lacs
Particulars	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016	
(a) Employee benefits:				
(i) Compensated absences	82.78	78.32	99.84	
(ii) Other employee benefits (Terminal Ex-gratia) (Refer Note 32(B))	4.93	7.59	8.83	
	87.71	85.91	108.67	
(b) Provision for warranty (Refer Note 35(B))	3.71	4.56	3.03	
	3.71	4.56	3.03	
Total	91.42	90.47	111.70	



Note 17 (C) : Current tax liabilities (net)

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
Provision for tax (net of advance tax ₹ 1429.72 lacs (As at 31 March, 2017: ₹ Nil, As at 01 April, 2016: ₹ Nil))	241.38	-	-
Total	241.38	-	-

Note 18 : Other non-current liabilities

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(a) Advances from customers	94.61	165.92	145.90
(b) Provision for gratuity (net) (Refer Note 32(B))	1161.71	1020.71	913.79
Total	1256.32	1186.63	1059.69

Note 19 : Current borrowings

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
Loans repayable on demand			
From banks - Secured (Refer Footnote below)	1577.65	2840.46	2578.49
From others - Unsecured	3404.86	2396.92	1693.18
Total	4982.51	5237.38	4271.67

Footnote:

Loans repayable on demand from banks are secured by hypothecation of stocks of raw materials, stock in process, semi finished and finished goods, loose tools, general stores and book debts and all other moveables, both present and future, and by joint mortgage created for all immoveable properties of the Company located at Mumbra, Faridabad and Satara plants together with all buildings, plant and machinery thereon which rank second subject and subservient to charges created in favour of loans referred to in footnote (ii)(D) of Note 15.

Note 20 : Trade Payables

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
Total outstanding dues of micro enterprises and small enterprises (Refer Note 29.2)	132.23	245.51	96.63
Total outstanding dues of trade payables other than micro enterprises and small enterprises			
Acceptances	4454.53	3278.63	3312.44
Other than Acceptances	7112.95	5373.52	4130.44
Payable to related party (Refer Note 33(C) (i))	7.09	5.11	12.46
Total	11706.80	8902.77	7551.97

Footnote:

Trade payables are non-interest bearing and generally have a payment terms of 30 to 120 days.



Note 21 : Other current liabilities

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(a) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, GST, etc.)	182.09	307.38	236.03
(b) Advances from customers	15.26	15.95	136.79
(c) Trade/security deposits received	22.75	23.29	23.29
(d) Provision for gratuity (net) (Refer Note 32(B))	87.58	53.95	100.00
Total	307.68	400.57	496.11

Note 22 : Revenue from operations

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(a) Sale of products (including excise duty ₹ 645.41 lacs (Year ended 31 March, 2017: ₹ 2759.28 lacs)) (Refer Footnotes (i) and (iv) below)	49811.13	42129.69
(b) Services rendered	150.13	340.97
(c) Other operating revenues (Refer Footnote (ii) below)	1422.41	966.72
Revenue from operations	51383.67	43437.38

Footnotes:

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(i) Sale of products comprises:		
<u>Manufactured goods:</u>		
- Automotive gears (Includes processing charges ₹ 385.73 lacs (Year ended 31 March, 2017: ₹ 363.37 lacs))	46188.98	38680.82
- Automotive components	3123.72	2949.83
- Industrial furnaces (Refer Footnote (iii) below) (Excludes ₹ 12.10 lacs (Year ended 31 March, 2017: ₹ 208.34 lacs) which is included in services rendered)	141.63	273.59
- Tooling development	356.80	225.45
Total - Sale of products	49811.13	42129.69
(ii) Other operating revenues comprises:		
- Sale of scrap	430.13	329.03
- Export incentives	794.67	608.87
- Liabilities/provisions no longer required written back	27.96	12.83
- Miscellaneous income	169.65	15.99
Total - Other operating revenues	1422.41	966.72
(iii) Revenue from contracts is recognized as stated in Note 2.12(b)		
(iv) Consequent to the introduction of Goods and Services Tax (GST) with effect from 01 July, 2017, Central Excise, Value Added Tax (VAT), etc. have been subsumed into GST. Revenue from operations is reported inclusive of excise duty and corresponding excise duty on sale of goods (including scrap sale) is disclosed as a part of expenses.		



Note 23 : Other income

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(a) Interest income (Refer Footnote (i) below)	70.35	95.59
(b) Net gain on foreign currency transactions and translation	73.14	-
(c) Other non-operating income (Refer Footnote (ii) below)	14.47	18.46
Total	157.96	114.05

Footnotes:

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(i) Interest income comprises :		
Interest on Financial assets at amortised cost:		
- On bank Deposits	5.38	4.82
- On margin money with banks	32.40	34.69
- On security deposits and loans to employees	19.53	18.34
Others	1.65	1.41
Interest on income tax refund	11.39	36.33
Total - Interest income	70.35	95.59
(ii) Other non-operating income comprises:		
Rent	12.32	10.83
Profit on sale of property, plant and equipment	1.58	3.92
Liabilities/provisions no longer required written back	0.57	3.71
Total - Other non-operating income	14.47	18.46

Note 24(A) : Cost of material and components consumed

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Opening stock	655.89	525.42
Add: Purchases	25005.88	19104.84
	25661.77	19630.26
Less: Closing stock	1313.96	655.89
Cost of materials and components consumed	24347.81	18974.37
Material and components consumed comprises:		
Forgings	22101.66	16597.73
Automotive components	2173.52	2113.90
Others	72.63	262.74
Total	24347.81	18974.37



Note 24(B) : Changes in inventories of finished goods and work-in-progress

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Inventories at the end of the year:		
Finished goods	1199.42	1617.95
Work-in-progress	3626.55	2464.09
	4825.97	4082.04
Inventories at the beginning of the year:		
Finished goods	1617.95	1510.17
Work-in-progress	2464.09	2184.55
	4082.04	3694.72
Net (increase)/decrease	(743.93)	(387.32)

Note 25 : Employee benefits expense

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Salaries and wages	7125.11	6287.81
Contributions to provident and other funds	407.18	367.62
Gratuity expenses (Refer Footnote below)	239.91	151.37
Staff welfare expenses	954.14	909.66
Total	8726.34	7716.46

Footnote:

Pursuant to amendment to The Payment of Gratuity Act, 1972, notifying the increase in limit of maximum gratuity, the gratuity expenses for the year has increased by ₹ 84.56 lacs (for the year ended 31 March, 2017: ₹ Nil) on account of past service costs.

Note 26 : Finance costs

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(a) Interest expense on:		
(i) Borrowings	1083.00	1008.57
(ii) Others		
- Discounting charges	264.71	251.23
- Interest on delayed/deferred payment of income tax	28.00	-
(b) Other borrowing costs (Bank and other financing charges)	308.53	221.64
Total	1684.24	1481.44



Note 27 : Depreciation and amortisation expense

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Depreciation of tangible assets	1786.49	1626.13
Amortisation of intangible assets	41.62	43.13
Total	1828.11	1669.26

Note 28 : Other expenses

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Consumption of stores and spare parts	1336.40	1211.37
Consumption of loose tools	1519.47	1077.64
Consumption of packing materials	1084.14	846.29
Excise duty on changes in inventory	(142.66)	44.41
Processing charges	2431.73	1618.51
Power and fuel	3484.30	2938.01
Rent including lease rentals (Refer Note 31.B (i))	487.41	505.51
Repairs and maintenance:		
- Buildings	98.25	63.13
- Machinery	418.28	380.63
- Others	699.04	582.80
Travelling, conveyance and car expenses	475.13	464.83
Freight, forwarding and other charges	1053.65	591.68
Auditors' remuneration (Refer Footnote below)	34.61	39.94
Exchange loss (net loss on foreign currency transactions and translation)	-	0.21
Bad debts written off	9.08	6.53
Loss on sale/write off of property, plant and equipment	2.23	5.49
Allowance for doubtful debts	23.17	20.94
Miscellaneous expenses	1115.12	1168.10
Total	14129.35	11566.02

Footnote:

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Auditors' remuneration (net of service tax/GST):		
As auditors:		
- Statutory audit	14.50	22.75
- Limited review	11.75	11.25
In other capacity:		
- For certification (Refer Note (i) below)	2.40	1.42
- For other services	5.00	4.00
Reimbursement of expenses	0.96	0.52
Total	34.61	39.94

(i) Excludes certification charges of ₹ 1.00 lac (for the year ended 31 March, 2017: ₹ Nil) paid to statutory auditors, debited to securities premium account related to preferential issue of equity shares.



Note 29 : Additional information to the financial statements

Note	Particulars	₹ lacs		
		As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
29.1	Contingent liabilities and commitments (to the extent not provided for)			
(i)	Contingent liabilities:			
	Claims against the Company not acknowledged as debt:			
	1. In respect of Employees:			
	(i) The Company has filed an appeal in the Bombay High Court against the order passed by Third Labour Court on issue of back wages and reinstatement of 11 employees.	40.26	40.26	40.26
	(ii) In respect of claim of permanency of services and/or back wages (less subsistence allowance paid, if any) filed by set of temporary/permanent workmen before the Hon'ble Industrial Tribunal, Thane/labour court.	Not ascertainable	Not ascertainable	Not ascertainable
	2. Others:			
	(i) The Company has filed an appeal in the Employees' Provident Fund Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of provident fund dues on subsistence allowance.	1.27	1.27	1.27
	(ii) The Company has filed an appeal in the Employees' Provident Fund Appellate Tribunal, Delhi against the order passed by Regional Provident Fund Commissioner, on issue of Provident fund dues on difference of wages of certain employees. Future ultimate outflow of resources embodying economic benefits in respect of these matters is uncertain as it depends on financial outcome of judgments/decisions on the matters involved.	0.87	0.87	0.87
(ii)	Commitments:			
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances):			
	Property, plant and equipment	2733.22	1636.41	122.89
	Intangible assets	0.84	-	-
		2734.06	1636.41	122.89

29.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	₹ lacs		
	As at 31 March, 2018	As at 31 March, 2017	As at 01 April, 2016
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	70.28	151.45	46.20
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-	-
(iii) The amount of principal paid beyond the appointed day	257.25	457.64	444.37
(iv) The amount of interest due and payable for the year	-	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-	-

The information disclosed above in respect of principal and/or interest due to Micro and Small Enterprises has been determined on the basis of information available with the Company and confirmations received from the suppliers for registration under the Micro, Small and Medium Enterprises Development Act, 2006 and for interest outstanding/due. This has been relied upon by the auditors.



Note 30: Income Tax

₹ lacs

(A) Major components of income tax expense:			
Note	Particulars	For the year ended 31 March, 2018	For the year ended 31 March, 2017
(a) Statement of Profit and Loss:			
	(i) Current income tax:		
	- In respect of current year	425.00	-
	(ii) Deferred tax:		
	Relating to origination and reversal of temporary differences	(131.00)	(82.00)
	Total tax expense recognised in Statement of Profit and Loss	294.00	(82.00)
(b) Other comprehensive income:			
	Deferred Tax - Remeasurement of the defined benefit obligation	1.37	11.19
	Total tax expense recognised in other comprehensive income	1.37	11.19
(B) Reconciliation of income tax expense and the accounting profit multiplied by Company's domestic tax rate:			
	Particulars	For the year ended 31 March, 2018	For the year ended 31 March, 2017
	Profit/(loss) before tax	924.30	(228.08)
	Applicable tax rate	34.608%	33.063%
	Computed tax expense	319.88	(75.41)
	Effect of expenses that is non-deductible in determining taxable profit	9.69	27.86
	Adjustments in respect of current income tax of previous years	-	(28.99)
	Others	(35.57)	(5.46)
	Income tax expense recognised in Statement of Profit or Loss	294.00	(82.00)
	Effective tax rate	31.808%	35.952%



Note 30 (C) : Deferred tax

₹ lacs

Note	Particulars	For the year ended 31 March, 2018			Balance as at 31 March, 2018
		Balance as at 31 March, 2017	Recognised in		
			Profit and loss	OCI	
	Tax effect of items constituting deferred tax liability on:				
	Property, plant and equipment and intangible assets	598.38	(84.89)	-	513.49
	Lease rent	113.50	(44.10)	-	69.40
	Others	6.75	27.29	-	34.04
	(A)	718.63	(101.70)	-	616.93
	Tax effect of items constituting deferred tax assets:				
	Provision for compensated absences, gratuity and other employee benefits	531.65	98.14	-	629.79
	Other disallowances under Section 43B of the Income-tax Act, 1961	70.34	1.50	-	71.84
	Unabsorbed depreciation	69.23	(69.23)	-	-
	Payments made under Voluntary Retirement Scheme	101.72	0.51	-	102.23
	Minimum alternate tax credit	26.00	(26.00)	-	-
	Remeasurement of defined benefit plans	(11.19)	-	(1.37)	(12.56)
	Others	9.39	24.38	-	33.77
	(B)	797.14	29.30	(1.37)	825.07
	Deferred tax liabilities/(assets) (net)	(78.51)	(131.00)	1.37	(208.14)

₹ lacs

Note	Particulars	For the year ended 31 March, 2017			Balance as at 31 March, 2017
		Balance as at 01 April, 2016	Recognised in		
			Profit and loss	OCI	
	Tax effect of items constituting deferred tax liability on:				
	Property, plant and equipment and intangible assets	657.13	(58.75)	-	598.38
	Lease rent	150.14	(36.64)	-	113.50
	Others	7.23	(0.48)	-	6.75
	(A)	814.50	(95.87)	-	718.63
	Tax effect of items constituting deferred tax assets:				
	Provision for compensated absences, gratuity and other employee benefits	511.99	19.66	-	531.65
	Other disallowances under Section 43B of the Income-tax Act, 1961	61.65	8.69	-	70.34
	Unabsorbed depreciation	150.71	(81.48)	-	69.23
	Payments made under Voluntary Retirement Scheme	69.32	32.40	-	101.72
	Minimum alternate tax credit	26.00	-	-	26.00
	Remeasurement of defined benefit plans	-	-	(11.19)	(11.19)
	Others	2.53	6.86	-	9.39
	(B)	822.20	(13.87)	(11.19)	797.14
	Deferred tax liabilities/(assets) (net)	(7.70)	(82.00)	11.19	(78.51)



Note 31 : Details of Leasing arrangements

(A) Finance Lease: Company as a lessee

- (i) For net carrying amount as at 31 March, 2018 for assets acquired under finance lease. (Refer Note 5(A) Property, plant and equipment)
- (ii) The maturity profile of finance lease obligations is as follows:

Particulars		₹ lacs		
		Total minimum lease payments outstanding	Interest not due	Present value of minimum lease payments
Not later than one year	As at 31 March, 2018	-	-	-
	As at 31 March, 2017	-	-	-
	As at 01 April, 2016	13.13	0.70	12.43
Later than one year but not later than five years	As at 31 March, 2018	-	-	-
	As at 31 March, 2017	-	-	-
	As at 01 April, 2016	-	-	-
Total	As at 31 March, 2018	-	-	-
	As at 31 March, 2017	-	-	-
	As at 01 April, 2016	13.13	0.70	12.43

- (iii) General description of these agreements:

- Some of these agreements contains renewal clause.

-

(B) Operating Lease: Company as a lessee

- (i) Lease payments recognised in the Statement of Profit and Loss for the year are as follows:

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
Residential flats/offices/godowns	258.40	244.78
Vehicle/Plant and machinery/Air conditioner/Returnable packaging	229.01	258.24

- (ii) Future minimum lease payments under the agreement, which is non-cancellable is as follows:

Particulars	₹ lacs	
	For the year ended 31 March, 2018	For the year ended 31 March, 2017
not later than one year	107.45	129.12
later than one year and not later than five years	46.22	170.37
later than five years	-	-

- (iii) Some of the agreements contain renewal clause and provide for escalation of rent of about 5% on renewal. Some of the agreements provide for escalation in rent during the tenure of the agreement.



Note 32 : Employee benefits

Note	Particulars	
(A) <u>Defined Contribution Plans</u>		
The Company has recognized the following amounts in the Statement of Profit and Loss:		
		₹ lacs
Particulars	For the year ended 31 March, 2018	For the year ended 31 March, 2017
- Employers' contribution to Provident Fund and Family Pension Fund	287.10	264.74
- Employers' contribution to Superannuation Fund	113.43	92.66
The above amounts are included in Contributions to provident and other funds under Note 25 Employee benefits expense.		

(B) Defined Benefit Plans

A general description of the Employees Benefit Plans:

(i) Gratuity (Funded)

The Company operates a defined benefit final salary gratuity plan which covers qualifying employees. The benefit payable is the amount calculated as per the Payment of Gratuity Act, 1972 or maximum gratuity payable under the said Act, whichever is lower. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The gratuity benefits payable to the employees are based on the employee's service and last drawn salary at the time of leaving. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the Company.

The Company has set up an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan. There are no minimum funding requirements. The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the Income Tax Act and Rules.

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. In particular, there is a risk for the Company that any adverse salary growth or demographic experience or inadequate returns on underlying plan assets can result in an increase in cost of providing these benefits to employees in future. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.

(ii) Terminal Ex-gratia (Unfunded)

The Company has an obligation towards Terminal Ex-gratia, an unfunded defined benefit retirement plan covering eligible employees. The plan provides for lump sum payment which varies depending upon the number of completed years of service to vested employees on completion of employment. Vesting occurs upon the completion of 15 years of service. Since the benefits are lump sum in nature, the plan is not subject to any longevity risks.

The following tables summarise the components of net benefit expense recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet :



Note 32 : Employee benefits....Contd.

Note	Particulars						
(a) Expense recognized in the Statement of Profit and Loss:							
		₹ lacs					
	Particulars	Year ended 31 March, 2018		Year ended 31 March, 2017			
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia		
(i) Under profit and loss section							
	Current service cost	77.50	1.47	78.59	1.65		
	Interest on net defined benefit liability/(asset)	77.86	2.78	72.78	3.02		
	Expected return on plan assets	-	-	-	-		
	Past service cost	84.55	-	-	-		
	Actuarial gains/(losses)	-	-	-	(0.50)		
	Total expense recognised in the Statement of Profit and Loss	*239.91	**4.25	*151.37	**4.17		
(ii) Under other comprehensive income section							
Actuarial (gains)/losses							
	Due to change in demographic assumptions	-	-	-	-		
	Due to change in financial assumptions	(6.06)	(1.03)	31.14	-		
	Due to change in experience adjustments	(8.27)	0.11	(65.66)	-		
	Actual return on plan assets in excess of the expected return	11.30	-	0.68	-		
	Sub-total - Included in Other comprehensive income	(3.03)	(0.92)	(33.84)	-		
	Total expense	236.88	3.33	117.53	4.17		
(b) Net liability recognised in the Balance Sheet :							
	Particulars	As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
	Present value of defined benefit obligation	1528.33	34.57	1441.30	38.39	1488.42	42.72
	Fair value of plan assets	279.04	-	366.64	-	474.63	-
	Funded status (deficit)	(1249.29)	(34.57)	(1074.66)	(38.39)	(1013.79)	(42.72)
	Net liability recognised in the Balance Sheet accounted as below:	(1249.29)	(34.57)	(1074.66)	(38.39)	(1013.79)	(42.72)
	- Other non-current liabilities (Refer Note 18(b))	(1161.71)	-	(1020.71)	-	(913.79)	-
	- Other current liabilities (Refer Note 21(d))	(87.58)	-	(53.95)	-	(100.00)	-
	- Provisions non-current (Refer Note 17(A)(a)(ii))	-	(29.64)	-	(30.80)	-	(33.89)
	- Provisions current (Refer Note 17(B)(a)(ii))	-	(4.93)	-	(7.59)	-	(8.83)
	(* Included in Gratuity expense under Employee benefits expense in Note 25).						
	(** Included in 'Salaries and wages' under Employee benefits expense in Note 25).						



Note 32 : Employee benefits....Contd.

₹ lacs

Particulars	As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(c) Present value of defined benefit obligation:						
Present value of defined benefit obligation at beginning of the year	1441.30	38.39	1488.42	42.72	1400.29	42.81
Current service cost	77.50	1.47	78.59	1.65	74.17	1.68
Interest on defined benefit obligation	104.42	2.78	104.15	3.02	108.30	3.16
Remeasurements due to:						
Actuarial loss/(gain) arising from change in financial assumptions	(6.06)	(1.03)	31.13	(0.50)	41.51	1.12
Actuarial loss/(gain) arising on account of experience changes	(8.27)	0.11	(65.66)	-	60.92	-
Past service cost	84.55	-	-	-	-	-
Benefits paid	(165.11)	(7.15)	(195.33)	(8.50)	(196.77)	(6.05)
Present value of defined benefit obligation at the end of the year	1528.33	34.57	1441.30	38.39	1488.42	42.72
(d) Fair value of plan assets:						
Opening fair value of plan assets	366.64	-	474.63	-	571.64	-
Employer contributions	62.25	-	56.66	-	64.70	-
Interest on plan assets	26.56	-	31.37	-	36.52	-
Actual return on plan assets in excess of the expected return	(11.30)	-	(0.69)	-	(1.46)	-
Benefits paid	(165.11)	-	(195.33)	-	(196.77)	-
Closing fair value of plan assets	279.04	-	366.64	-	474.63	-
(e) Movement of net liability recognised in the Balance Sheet:						
Opening net defined benefit liability/(asset)	1074.66	38.39	1013.79	42.72	828.65	42.81
Expense charged to Statement of Profit and Loss	239.91	4.25	151.37	4.17	145.94	5.96
Amount recognised in other comprehensive income	(3.03)	(0.92)	(33.84)	-	103.90	-
Employer contributions	(62.25)	(7.15)	(56.66)	(8.50)	(64.70)	(6.05)
Closing net defined benefit liability/(asset)	1249.29	34.57	1074.66	38.39	1013.79	42.72
(f) The major categories of plan assets as a percentage of the fair value of total plan assets:						
Insurer Managed funds	100%	-	100%	-	100%	-
The plan does not invest directly in any property occupied by the Company nor in any financial securities issued by the Company.						
(g) The principal assumptions used in determining defined benefit obligations:						
(i) Financial assumptions:						
Discount rate	7.80%	7.80%	7.25%	7.25%	7.55%	7.55%
Expected return on plan assets	7.80%		7.25%		7.55%	
Salary escalation	6.50%		6.00%		6.00%	



Note 32 : Employee benefits....Contd.

Note	Particulars	₹ lacs					
		As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(ii) Demographic assumptions:							
	Retirement age:						
	For Mumbra employees	60 years		60 years		60 years	
	For Faridabad and Satara employees	58 years		58 years		58 years	
	Attrition rate:						
	Age Banks - 21 -44	2.00%		2.00%		2.00%	
	Age Banks - 44 & above	1.00%		1.00%		1.00%	
	Mortality tables	Indian Assured Lives Mortality (2006-08) Ult table		Indian Assured Lives Mortality (2006-08) Ult table		Indian Assured Lives Mortality (2006-08) Ult table	

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

(h) Sensitivity analysis:

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

	As at 31 March, 2018		As at 31 March, 2017	
	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
Discount rate				
Impact of increase in 50 bps on defined benefit obligation	-3.62%	-2.60%	-3.55%	-2.80%
Impact of decrease in 50 bps on defined benefit obligation	3.89%	2.70%	3.81%	2.90%
Salary escalation				
Impact of increase in 50 bps on defined benefit obligation	3.84%	-	3.48%	-
Impact of decrease in 50 bps on defined benefit obligation	-3.61%	-	-3.32%	-

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

(i) Funding Arrangements & Policy:

The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested. The trustees of the plan have outsourced the investment management of the fund to an insurance company. The insurance company in turn manages these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations. Due to the restrictions in the type of investments that can be held by the fund, it is not possible to explicitly follow an asset-liability matching strategy to manage risk actively.

There is no compulsion on the part of the Company to fully pre fund the liability of the Plan. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of under funding of the plan.

The expected contribution payable to the plan next year is ₹ 87,57,534/-.



Note 32 : Employee benefits....Contd.

Note	Particulars	₹ lacs					
		As at 31 March, 2018		As at 31 March, 2017		As at 01 April, 2016	
		Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia	Gratuity	Terminal Ex-gratia
(j) Maturity profile							
	Expected benefits for year 1	217.26	4.93	208.20	7.59	217.95	8.83
	Expected benefits for year 2	161.63	4.88	122.96	4.19	124.73	4.96
	Expected benefits for year 3	116.89	4.05	130.97	4.82	140.33	4.44
	Expected benefits for year 4	142.51	4.72	143.34	4.14	153.92	5.92
	Expected benefits for year 5	131.75	4.28	152.14	4.88	157.59	4.60
	Expected benefits for year 6	191.75	5.06	146.36	4.43	163.06	5.52
	Expected benefits for year 7	207.24	5.32	186.08	5.14	150.36	4.63
	Expected benefits for year 8	179.44	4.36	156.06	5.16	200.22	5.31
	Expected benefits for year 9	194.70	4.53	214.38	4.24	153.83	5.40
	Expected benefits for year 10 and above	1801.77	14.93	1456.81	18.48	1569.46	22.46
	The weighted average duration to the payment (years)	7.55	5.19	7.35	5.39	7.16	5.44

Note 33 : Related party transactions

Note	Particulars
(A)	Details of related parties with whom the Company had transactions during the year.
Description of relationship	Names of related parties
Key Management Personnel (KMP)	(i) Mr. Surinder Paul Kanwar - Chairman and Managing Director (who also has ability to exercise 'significant influence' over the Company)
	(ii) Mr. Sameer Kanwar – Joint Managing Director (Son of Chairman and Managing Director of the Company)
	(iii) Mr. Rakesh Chopra - Non Executive Independent Director
	(iv) Mr. Virendra Kumar Pargal - Non Executive Independent Director
	(v) Mr. Wolfgang Rudolf Schilha - Non Executive Independent Director
	(vi) Mr. Shiv Gopal Awasthi - Non Executive Independent Director (upto 09 August, 2017)
	(vii) Mrs. Hiroo Suresh Advani - Non Executive Independent Director
	(viii) Mr. N.V. Srinivasan - Non Executive Director (w.e.f. 03 November, 2017)
Enterprises over which KMP is able to exercise significant influence	(i) Cliplok Simpak (India) Private Limited (CSIPL)
	(ii) Raunaq EPC International Limited (REIL)
	(iii) Vibrant Finance & Investment Private Limited (VFIPL)
	(iv) Xlerate Driveline India Limited (XDIL)

Note: Related parties have been identified by the Management.



