GUTS ELECTRO-MECH LIMITED
CIN: U52520TG1987PLC007245
BALANCE SHEET AS AT MARCH 31, 2020

Amount in ₹

Particulars	Note No	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
(a) Property, Plant and Equipment	4	77,166,468	73,851,578
(b) Capital work in progress		-	1,406,850
(c) Other Intangible assets	5	1,009,692	683,872
(d) Financial Assets			
Other financial assets (net)	6	267,386	247,386
(e) Deferred Tax Assets	7	1,333,886	2,171,277
(f) Other non-current assets	8	4,590,791	5,215,562
		84,368,223	83,576,525
Current assets			
(a) Inventories	9	64,257,066	76,066,680
(b) Financial Assets			
(i) Trade receivables	10	34,308,588	47,749,893
(ii) Cash and cash equivalents	11	212,967	10,418,146
(iii) Others financial assets	12	7,646,033	2,159,693
(c) Other current assets	13	11,130,553	13,434,618
		117,555,207	149,829,030
	Total Assets	**201,923,431**	**233,405,555**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	14	19,658,420	19,658,420
(b) Other Equity	15	75,046,203	29,803,334
		94,704,623	49,461,754
Liabilities			
Non - current liabilities			
(a) Financial Liabilities			
Other financial liabilities	16	40,481	-
(b) Provisions	17	4,609,387	3,712,990
		4,649,868	3,712,990

Brahmayya & Co. Hyderabad

GUTS ELECTRO-MECH LTD. HYD CHERLAPALLY

GUTS ELECTRO-MECH LIMITED
CIN: U52520TG1987PLC007245
BALANCE SHEET AS AT MARCH 31, 2020

Amount in ₹

Particulars	Note No	As at March 31, 2020	As at March 31, 2019
Current liabilities			
(a) Financial Liabilities			
(i) Borrowings	18	27,725,382	40,944,164
(ii) Trade payables	19	53,673,077	61,493,183
(iii) Other financial liabilities	20	1,966,473	1,444,281
(b) Other current liabilities	21	6,014,112	55,811,016
(c) Provisions	22	7,186,622	4,541,466
(d) Current Tax Liabilities (Net)		6,003,273	15,996,701
		102,568,940	180,230,811
Contingent Liabilities and Commitments	23		
Total equity and liabilities		**201,923,431**	**233,405,555**
NOTES TO THE FINANCIAL STATEMENTS	**1 - 46**		

for BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration Number: 000513S

P.CHANDRAMOULI
Partner
Membership Number: 025211

Place: Hyderabad
Date : May 21,2020

for and on behalf of the Board

R.B.V.S ARUN KUMAR
Managing Director

ABIE ABRAHAM
Director

GUTS ELECTRO-MECH LTD. HYD CHERLAPALLY

GUTS ELECTRO-MECH LIMITED
CIN: U52520TG1987PLC007245
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Particulars	Note No	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from Operations	24	526,504,744	602,250,247
Other Income	25	20,754,444	17,971,578
Total Income		547,259,188	620,221,825
Expenses			
Cost of materials cosumed	26	329,918,666	396,526,673
Changes in inventories of Stock-In-Trade	27	6,565,368	(2,414,953)
Employee Benefits Expense	28	24,725,846	19,069,737
Finance Costs	29	5,883,501	6,510,503
Depreciation and amortisation expense	30	7,702,910	6,623,176
Other expenses	31	111,222,089	134,605,947
Total expenses		486,018,380	560,921,083
Profit before tax		61,240,808	59,300,742
Tax Expenses:			
a. Current Tax		16,500,000	16,000,000
b. Deferred tax liability /(Asset)			
On Temporary Differences		902,162	12,186,446
Total Tax Expenses		17,402,162	28,186,446
Profit for the year		43,838,646	31,114,296
Other Comprehensive income	32		
Items that will not be reclassified subsequently to profit or loss		(257,335)	181,233
Income tax relating to above items		64,771	(50,419)
Total Other Comprehensive Income for the Year		(192,564)	130,814
Total Comprehensive Income for the Year		43,646,082	31,245,110
Earnings per Equity share- Basic and Diluted (In ₹)	33	22.30	15.83
NOTES TO THE FINANCIAL STATEMENTS	1 - 46		

for BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration Number: 000513S

P.CHANDRAMOULI
Partner
Membership Number: 025211

Place: Hyderabad
Date : May 21,2020

for and on behalf of the Board

R.B.V.S ARUN KUMAR
Managing Director

ABIE ABRAHAM
Director

Brahmayya & Co. Hyderabad

GUTS ELECTRO-MECH LTD. CHERLAPALLY HYD

GUTS ELECTRO MECH LIMITED
CIN: U52520TG1987PLC007245
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
I.	***Cash flow from operating activities:***		
	Profit before tax	61,240,808	59,300,742
	Add: Other Comprehensive Income before Tax	(257,335)	181,233
		60,983,473	59,481,975
	Adjustment for non-cash transactions:		
	Depreciation and amortization expenses	7,702,910	6,623,176
	Interest on Lease Liability	4,498	-
	Amortisation of prepaid lease rentals	-	38,125
	Interest cost on de-commissioning liability	105,579	95,980
	Credit Balances Written Back	(3,124,859)	(864,617)
	Excess Provisions written back	-	(11,754,738)
	Profit on Sale of Property, Plant and Equipment		(10,310)
	Advances Written Off	-	454,136
	Debit Balances Written Off	72,628	297,164
	Bad debts Written Off	5,173,504	5,203,685
	Provisions made during the year:		
	Expected credit loss	(3,493,406)	(4,633,174)
	CSR	500,000	-
	Advances	-	7,934,997
	Inventory	775,960	-
	Warranties	2,128,534	2,418,949
		70,828,821	**65,285,348**
	Adjustment for investing and financing activities:		
	Interest Income:	(14,176)	(26,446)
	Interest paid on borrowings (finance cost)	4,970,783	5,674,580
		4,956,607	**5,648,134**
	Adjustment for changes in working capital:		
	Decrease / (increase) in inventories	11,033,654	(913,411)
	Decrease / (increase) in trade receivables	11,761,207	14,302,442
	Decrease / (increase) in other current financial assets	(5,558,968)	(1,192,388)
	Decrease / (increase) in non current financial assets	(20,000)	-
	Decrease / (increase) in other current assets	2,265,960	1,846,635
	Decrease / (increase) in other non-current assets	(2,525,792)	(2,030,088)
	(Decrease) /Increase in trade payables	(4,695,247)	(13,888,047)
	(Decrease) /Increase in other current financial liabilities	522,192	(1,011,192)
	(Decrease) /Increase in non current financial liabilities	(5,787)	-
	(Decrease) /Increase in other current liabilities	(49,796,904)	(13,110,789)
	(Decrease) /Increase in long term provisions	790,818	414,933
	(Decrease) /Increase in short term provisions	16,622	(20,583,413)
		(36,212,245)	**(36,165,318)**
	Cash generated from operations	**39,573,183**	**34,768,164**
	Less: Direct taxes paid (net of refunds)	(26,493,448)	(3,241,498)
	Net cash flow from operating activities (I)	**13,079,735**	**31,526,666**

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GUTS ELECTRO-MECH LTD. HYD CHERLAPALLY

GUTS ELECTRO MECH LIMITED
CIN: U52520TG1987PLC007245
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
II.	***Cash flows from investing activities***		
	Purchase of fixed assets, including CWIP	(6,709,525)	(13,586,923)
	Sale of fixed assets	-	34,746
	Interest received for the year	14,176	26,446
	Net cash flow from/ (used in) investing activities (II)	**(6,695,349)**	**(13,525,731)**
III.	***Cash flows from financing activities***		
	Proceeds from long term borrowings (net)	-	(1,003,405)
	Interest paid for the year	(3,370,783)	(4,088,441)
	Proceeds from Issue of Share Capital at Premium	-	-
	Net cash flow (used in) financing activities (III)	**(3,370,783)**	**(5,091,846)**
IV.	***Net (decrease)/increase in cash and cash equivalents (I + II + III)***	**3,013,603**	**12,909,089**
	Cash and cash equivalents at the beginning of the year	(30,526,018)	(43,435,107)
V.	***Cash and cash equivalents at the end of the year***	**(27,512,415)**	**(30,526,018)**
VI.	***Components of cash and cash equivalents:***		
	Cash on hand	62,930	122,898
	With banks:		
	On Current Account	150,037	10,295,248
	On Cash Credit Accounts	(27,725,382)	(40,944,164)
	Total cash and cash equivalents (Note No 11 and 18)	**(27,512,415)**	**(30,526,018)**

per our report of even date
for Brahmayya & Co.,
Chartered Accountants
F. R. Number: 000513S

P. CHANDRAMOULI
Partner
Membership No.: 025211

Place: Hyderabad
Date : May 21,2020

for and on behalf of the Board

R.B.V.S ARUN KUMAR
Managing Director

ABIE ABRAHAM
Director

GUTS ELECTRO-MECH LIMITED
CIN: U52520TG1987PLC007245
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

A. Equity Share Capital **Amount in ₹**

	Particulars	As at March 31, 2020	As at March 31, 2019
i.	At the begininnig of the year	19,658,420	19,658,420
ii.	Changes during the year	-	-
iii.	At the end of the year	**19,658,420**	**19,658,420**

B. Other Equity **Amount in ₹**

	Particulars	Capital Contribution by parent company	Surplus in Statement of profit and loss	Securities Premium	Capital Reserve (Industrial Subsidy)	Acturial Gain/(loss) OCI	Total
I.	**Balance as at April 01, 2019**	**2,226,849**	**3,105,124**	**23,861,228**	**379,240**	**230,894**	**29,803,335**
	Adjustment due to adoption of IndAS 116						**(3,214)**
	Profit for the year		43,838,646	-	-	-	43,838,646
	Other Comprehensive income for the year		-	-	-	(192,564)	(192,564)
	Additional Investment by Parent Company	1,600,000					1,600,000
II.	**Balance as at March 31, 2020**	**3,826,849**	**46,943,770**	**23,861,228**	**379,240**	**38,330**	**75,046,203**

for BRAHMAYYA & CO.,
Chartered Accountants
Firms' Registration Number: 000513S

P.CHANDRAMOULI
Partner
Membership Number: 025211

Place: Hyderabad
Date: May 21,2020

for and on behalf of the Board

R.B.V.S ARUN KUMAR
Managing Diector

ABIE ABRAHAM
Director

1. **Corporate information:**

   GUTS Electro-Mech Limited (the 'Company') was originally incorporated as a Private Limited company on 06th March 1987 under the Companies Act, 1956 and subsequently converted into a public limited company on 30th October 1992.Later on, the Company has become a subsidiary of V-Guard Industries Limited with effect from August 31,2017. At present the Company is engaged in the business of manufacture of circuit breakers, relays, electronic and electromechanical items.

2. **Basis of Preparation:**

   These Financial Statements have been prepared in accordance with the accounting principles generally accepted in India including Indian Accounting Standards (Ind AS) prescribed under the Section 133 of the Companies Act, 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended and relevant provisions of the Companies Act, 2013

   Accordingly, the Company has prepared these Financial Statements which comprise the Balance Sheet as at 31 March, 2020, the Statement of Profit and Loss , the Statement of Cash Flows and the Statement of Changes in Equity for the year ended as on that date, and accounting policies and other explanatory information (together hereinafter referred to as financial statements.

   The financial statements have been prepared on historical cost basis, except for financial instruments which have been measured at fair value at the end of each reporting period, as required by relevant Ind AS and as explained in the accounting policies mentioned below.

   These financial statements were approved by the Board of Directors and authorised for Issuance in their meeting held on May 21, 2020.

3. **Significant Accounting policies**:

   a) **Significant accounting estimates, assumptions, and judgements:**

      The preparation of Company's financial statements requires management to make accounting estimates, assumptions and judgements that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures of contingencies at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

      Estimates and Assumptions:

      i. **Impairment of non-current assets:**

         Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is calculated based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The value in use is sensitive to the discount rate (generally weighted average cost of capital) used for the DCF model as well as the expected future cash-inflows and the growth rate used for exploration purposes.

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ii. **Defined Benefit Plans:**

The present value of the gratuity obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, rate of increment in salaries and mortality rates. Due to complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All the assumptions are reviewed at each reporting date.

iii. **Fair Value measurement of financial instruments:**

When the fair values of financial assets and financial liabilities on reporting date cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques i.e., the DCF model. The inputs to these models are taken from observable markets.

iv. **Contingencies:**

Management judgement is required for estimating the possible inflow/outflow of resources, if any, in respect of contingencies/claims/litigations against the company/by the company as it is not possible to predict the outcome of pending matters with accuracy.

v. **Property, Plant and Equipment:**

Based on evaluations done by technical assessment team, the management has adopted the useful life and residual value of its Property, Plant and Equipment. Management believes that the assigned useful lives and residual value are reasonable.

vi. **Income Taxes:**

Management judgment is required for the calculation of provision for income taxes and deferred tax assets/liabilities. The Company reviews at each balance sheet date the carrying amount of deferred tax assets/liabilities. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the financial statements.

vii. **Life -Time Expected Credit Loss on Trade and Other Receivables:**

Trade and other receivables are stated at net of trade payable to the respective party where there is a written understanding between the Company and the particular customer/vendor. Trade Receivables and Other Receivables do not carry any interest and are stated at their transaction value as reduced by life-time expected credit losses ("LTECL"). Management has evaluated LTECL for receivables as follows:

Particulars	Up to 180 Days	180 -365 Days	365- 730 Days	730-1095 Days	1095-1460 Days	Beyond 1460 Days
Expected loss Rate (%)	0.00	50.00	75.00	100.00	100.00	Write off

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b) Current Vs Non-current classifications

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it satisfies any of the following criteria:

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

All other assets are classified as non-current assets.

A liability is classified as current when it satisfies any of the following criteria:

i. Expected to settle the liability in normal operating cycle;
ii. Held primarily for the purpose of trading;
iii. Due to be settled within twelve months after the reporting period, or
iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. However, a period of 12 months is considered as ultimate operating cycle.

c) Property, Plant and Equipment:

Property, Plant and Equipment are stated at cost net of input credits, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

The company adopted cost model as its accounting policy, in recognition of the property, Plant and Equipment and recognises the transaction value as the cost.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Capital work in progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date.

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An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit and Loss. Property, Plant and Equipment which are found to be not usable or retired from active use or when no further benefits are expected from their use are removed from the books of account and the carrying value if any is charged to Statement of Profit and Loss.

Assets costing five thousand rupees or less are fully depreciated in the year of purchase.

Depreciation on Property, Plant and Equipment is provided based on the useful lives of the assets as estimated by the Management, which are in line with Schedule II to the Companies Act, 2013

Estimated useful life of the assets are as follows:

Type of the Asset	Method of Depreciation	Useful life considered (Years)
Buildings	SLM	30 - 60
Plant and Equipment	SLM	15
Furniture and Fittings	SLM	10
Vehicles	SLM	8
Tools and Equipment	SLM	10
Computers	SLM	3-6
Electrical Installations and Equipment	SLM	10
Lab Equipment	SLM	10
Right of use asset	SLM	90

d) Impairment of non-financial assets:

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

ii. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or have decreased. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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e) Leases:

The determination of whether an agreement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Classification on inception of lease:

a. Operating lease:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases.

b. Finance Lease:

A lease is classified as a financial lease where the lessor transfers substantially all the risks and rewards incidental to the ownership of the leased item.

The company has applied Ind AS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under Ind AS 17.

Accounting of Operating leases:

a. Where the Company is the lessee:

The company has elected not to recognise right-of-use assets and lease liabilities for short- term and Cancellable leases having a lease term up to 36 months. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. In case the escalation in operating lease payments are in line with the expected general inflation rate then the lease payments are charged to statement of profit and loss instead of straight-line method.

b. where the Company is the lessor:

Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Initial direct costs such as legal costs, brokerage costs, etc., are added to the carrying amount of the leased asset and recognised as an expense over the lease term.

f) Inventories:

i. Raw Materials, Stores and Spares and Consumables are stated at lower of Cost and Net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost in which they will be incorporated and expected to be sold at or above cost. Cost is determined on FIFO basis.

ii. Work-in-progress and finished goods are stated at the lower of cost and net realizable value.

iii. Cost includes direct materials, labour and a proportion of manufacturing overheads based on actual production. Cost is determined on FIFO basis.

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

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GUTS ELECTRO-MECH LTD. HYD * CHERLAPALLY *

g) Revenue recognition:

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

Revenue is measured at the fair value of consideration received or receivable and is recognized when the control in all respects, over the Goods or Services is transferred to and accepted by the customer and the company has not retained any significant risks of ownership and future obligations with respect to such Goods or Services. Specifically, the following basis is adopted for various sources of income:

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

i. **Sale of goods**: Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and is disclosed net off discounts, taxes collected and returns.

ii. **Interest:** Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. **Export Incentives:** Export benefits in the form of Merchandise Exports from India are recognised as and when the amounts are sanctioned by DGFT.

h) Government Grants and Subsidies:

Government grants and subsidies are recognised where there is reasonable assurance that the grant/subsidy will be received, and all attached conditions will be complied with.
Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.
Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

i) Foreign Currency Transactions:

i. **Functional and Reporting Currency**: The Company's functional and reporting currency is Indian National Rupee.

ii. **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amounts the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

iii. **Conversion on reporting date:** Foreign currency monetary items are reported at the closing rate. Foreign currency non-monetary items are reported at historical cost.

iv. **Exchange Differences:** Exchange difference arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognised as income or as expenses in the year in which they arise.

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j) Borrowing Costs:

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 that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

k) Retirement and other employee benefits:

i. Employer's contribution to Provident Fund/Employee State Insurance which is in the nature of defined contribution scheme is expensed off when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to these funds.

ii. The company operates a gratuity plan which is in the nature of defined benefit obligation. The company's liability is provided based on independent actuarial valuation on projected unit credit method made at the end of each financial year as per the requirements of Ind AS 19 on "Employee Benefits".

iii. Gratuity liability is considered as post-employment benefit expense as per Ind AS -19. Accordingly, Actuarial gain/(loss) on re-measurement of present value of defined benefit obligation and actual return on plan assets excluding net interest is recognised under other comprehensive income for the year.

iv. Accumulated leaves, which are expected to be utilised within the next twelve months, are treated as short-term employee benefits. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

v. The Company treats accumulated leaves expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

l) Earnings Per Share:

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

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GUTS ELECTRO-MECH LTD. HYD ★ CHERLAPALLY ★

m) Provisions:

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. Where the effect of the time of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

n) Contingencies:

Where it is not probable that an inflow or an outflow of economic resources will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of balance sheet and is disclosed as a contingent asset or contingent liability. Possible outcomes on obligations/rights, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent assets or contingent liabilities.

o) Decommissioning Liability:

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

p) Taxes on Income:

Tax expense comprises of current and deferred 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. Current tax includes taxes to be paid on the profit earned during the year and for the prior periods.

Deferred income taxes are provided based on the balance sheet approach considering the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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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 are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if it is probable that they can be utilised against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company write-off the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-off is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

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 taxes relate to the same taxable entity and the same taxation authority.

q) Prior period items:

In case prior period adjustments are material in nature, the company prepares the restated financial statement as required under Ind AS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". In case of immaterial items, such adjustments are shown under respective items in the Statement of Profit and Loss.

r) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and at bank, deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less that are readily convertible to a known amount of cash which are subject to an insignificant risk of changes in value and are held for meeting short-term cash commitments.

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.

s) Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Management/Chief operating decision maker ("CODM").

t) Financial instruments:

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

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Financial Assets:

a. **Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

b. **Subsequent measurement:**

For the purpose of subsequent measurement, financial assets are classified in to following categories

a. Debt instruments at amortised cost

b. Debt Instruments at fair value through profit and loss (FVTPL)

c. Equity instruments at fair value through profit and loss (FVTPL)

a. **Debts Instruments at amortised cost:**

A 'Debt Instrument' is measured at the amortised cost if both the following conditions are met:

i. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR amortisation is included in other income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

b. **Debt Instruments at Fair value through profit and loss (FVTPL):**

As per the Ind AS 101 and Ind AS 109, the Company is permitted to designate the previously recognised financial asset at initial recognition irrevocably at fair value through profit and loss on the basis of fact and circumstances that exists on the date of transition to Ind AS. Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of Profit and Loss.

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c. **Equity instruments at fair value through profit and loss (FVTPL):**

Equity instruments in the scope of Ind AS 109 are measured at fair value. The classification is made on initial recognition and is irrevocable. Subsequent changes in the fair values at each reporting date are recognised in the Statement of Profit and Loss.

c. **Derecognition:**

A financial asset or where applicable, a part of a financial asset is primarily derecognised when:

a. The rights to receive cash flows from the asset have expired, or

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

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

d. **Impairment of financial assets:**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial instruments.

Expected credit loss is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the entity expects to receive.

The management uses a provision matrix to determine the impairment loss on the portfolio of trade and other receivables. Provision matrix is based on its historically observed expected credit loss rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Expected credit loss allowance or reversal recognised during the period is recognised as income or expense, as the case may be, in the statement of profit and loss. In case of balance sheet, it is shown as an adjustment from the specific financial asset.

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Financial liabilities:

a. **Initial recognition and measurement:**

At initial recognition, all financial liabilities are recognised at fair value and in the case of loans, borrowings and payables, net of directly attributable transaction costs.

b. **Subsequent measurement:**

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gain or losses on liabilities held for trading are recognised in the profit or loss. The company doesn't designate any financial liability at fair value through profit or loss.

ii. **Financial liabilities at amortised cost:**

Amortised cost, in case of financial liabilities with maturity more than one year, is calculated by discounting the future cash flows with effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit and loss. Financial liability with maturity of less than one year is shown at transaction value.

c. **Derecognition:**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Reclassification:

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

t) **Fair Value Measurement:**

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- in the principal market for such asset or liability, or
- in the absence of a principal market, in the most advantageous market which is accessible to the company.

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

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

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

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

a. Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

b. Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurements is directly or indirectly observable.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

4 PROPERTY, PLANT AND EQUIPMENT

Sl. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2019	Additions	Deletions	As at 31.03.2020	Up to 31.03.2019	for the year	on Deletions	Up to 31.03.2020	As at 31.03.2020	As at 31.03.2019
01	Land	335,175	-	-	335,175	-	-	-	-	335,175	335,175
02	Buildings	18,985,205	379,768	-	19,364,973	4,945,864	648,203	-	5,594,067	13,770,906	14,039,341
03	Plant and Equipment *	73,000,982	3,756,735	-	76,757,717	25,988,864	4,675,077	-	30,663,941	46,093,776	47,012,118
04	Electrical Fittings	1,420,138	-	-	1,420,138	333,543	113,739	-	447,282	972,856	1,086,595
05	Office Equipment*	4,122,304	280,212	-	4,402,516	2,247,312	521,161	-	2,768,473	1,634,043	1,874,992
06	Tools and Equipments*	9,896,830	2,747,098	-	12,643,928	4,121,366	963,098	-	5,084,464	7,559,464	5,775,464
07	Data Processing equipment*	2,655,223	287,110	-	2,942,333	1,405,933	192,422	-	1,598,355	1,343,978	1,249,290
08	Furniture and fixtures	2,169,090	253,394	-	2,422,484	645,592	288,685	-	934,277	1,488,206	1,523,498
09	Vehicles	1,476,221	-	-	1,476,221	521,116	175,661	-	696,777	779,444	955,105
10	Right of use asset		3,227,244		3,227,244	-	38,625		38,625	3,188,619	-
	Grand Total	**114,061,168**	**10,931,562**	**-**	**124,992,730**	**40,209,590**	**7,616,672**	**-**	**47,826,262**	**77,166,468**	**73,851,578**
	Previous year	**102,632,563**	**11,468,604**	**40,000**	**114,061,167**	**33,629,574**	**6,595,580**	**15,564**	**40,209,590**	**73,851,578**	**69,002,989**

5 INTANGIBLE ASSETS

Sl. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2019	Additions	Deletions	As at 31.03.2020	Up to 31.03.2019	for the year	on Deletions	Up to 31.03.2020	As at 31.03.2020	As at 31.03.2019
01	Intangible assets	711,468	412,058	-	1,123,526	27,596	86,238	-	113,834	1,009,692	683,872
	Grand Total	**711,468**	**412,058**	**-**	**1,123,526**	**27,596**	**86,238**	**-**	**113,834**	**1,009,692**	**683,872**
	Previous year	**-**	**711,468**	**-**	**711,468**	**-**	**27,596**	**-**	**27,596**	**683,872**	**-**

*

Include the following (Gross Value)	Given on Lease as at		with Job Workers as at	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
Plant and Equipment	6,395,939	5,855,151	10,004,723	10,718,933
Office Equipment	89,370	89,370	4,590	4,590
Tools and Equipments	1,125,513	815,463	1,416,277	904,877
Data Processing equipment	132,764	132,764	-	-
Furniture and fixtures	80,450	14,850	13,000	13,000
TOTAL	7,824,036	6,907,598	11,438,590	11,641,400

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No	Particulars		As at March 31, 2020	As at March 31, 2019
6	**Other Non Current Financial Assets:**			
	Security Deposits		267,386	247,386
		Total	**267,386**	**247,386**
7	**Deferred Taxes:**			
	Net deferred tax recognised in Balance Sheet			
	Fair value of financial assets/liabilities		1,391,090	2,509,415
	Accelerated depreciation		(6,200,807)	(5,623,679)
	Other disallowances		6,143,603	5,285,541
		Total	**1,333,886**	**2,171,277**
	Movement in Deferred Taxes			
	Deferred tax asset/(liability) - Profit and loss		(902,162)	(12,186,446)
	Deferred tax asset/(liability) - OCI		64,771	(50,419)
		Total	**(837,391)**	**(12,236,865)**
8	**Other Non Current Assets:**			
	Prepaid Lease Rentals		-	3,147,349
	Prepaid Expenses		2,667,153	-
	Capital advances		1,923,638	1,872,936
	Equipment in transit		-	195,277
		Total	**4,590,791**	**5,215,562**
9	**Inventories:**			
	Raw Materials at cost *		36,597,622	44,089,378
	Raw Materials in Transit at cost		1,393,350	-
	Work in Progress at cost**		17,882,851	24,958,730
	Finished Goods at cost		6,781,178	6,525,598
	Stock of Scrap at Realisable Value***		747,905	492,974
	MEIS duty scrips		1,630,120	-
	Provision for non moving Inventory		(775,960)	-
		Total	**64,257,066**	**76,066,680**
	* includes with Job Workers		11,449,901	9,221,701
	** includes with Job Workers		3,575,402	4,932,284
	***includes with Job Workers		138,316	271,247

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No	Particulars		As at March 31, 2020	As at March 31, 2019
10	**Trade Receivables:**			
	Considered Good			
	Due from Related Parties		83,25,267	-
	Due from Others		2,54,91,222	4,69,83,755
			3,38,16,489	4,69,83,755
	With Significant Increase in Credit Risk			
	Due from Others		18,04,363	26,57,135
	Less: Expected Credit Loss on above		13,12,264	18,90,997
			4,92,099	7,66,138
	Credit Impaired			
	Due from Others		42,14,513	71,29,186
	Less: Expected Credit Loss on above		42,14,513	71,29,186
			-	-
		Total	**3,43,08,588**	**4,77,49,893**
11	**Cash and cash equivalents:**			
	Balances with banks			
	Current Accounts		1,50,037	1,02,95,247
	Cash on Hand		62,930	1,22,898
		Total	**2,12,967**	**1,04,18,146**
12	**Other financial assets - Current:**			
	Staff Advances		83,998	5,000
	Security Deposits		1,000	1,000
	Other Receivables		75,61,035	21,53,693
		Total	**76,46,033**	**21,59,693**
13	**Other Current Assets:**			
	Advance for Purchases and Expenses		1,27,75,012	1,24,16,130
	Less: Provision for Doubtful Advance		(79,34,997)	(79,34,997)
	Balance with Statutory Authorities		62,08,906	59,47,697
	Prepaid Expenses		81,632	29,67,664
	Prepaid Lease Rentals		-	38,125
		Total	**1,11,30,553**	**1,34,34,618**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No.	Particulars	As at March 31, 2020	As at March 31, 2019
14	**Equity Share Capital:**		
	A. *Authorised Share Capital:*		
	2,000,000 Equity Shares of ₹ 10/- each	20,000,000	20,000,000
		20,000,000	**20,000,000**
	B. *Issued, Subscribed and Fully Paid up share capital:*		
	1,965,842 Equity Shares of ₹ 10/- each	19,658,420	19,658,420
	Total	**19,658,420**	**19,658,420**
	C. *Reconciliation of the shares outstanding at the beginning and at the end of year:*		
	In no. of Shares		
	At the beginning and at the end of the Year	1,965,842	1,965,842
		1,965,842	1,965,842
	In value of Shares		
	At the beginning and at the end of the Year	19,658,420	19,658,420
		19,658,420	19,658,420

D. *Rights attached to the Equity Shares:*

The company has only one class of equity shares having a face value of ₹ 10/- per share with one vote per each share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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. The distribution will be in proportion to the number of equity shares held by the shareholders.

		As at March 31, 2020	As at March 31, 2019
E. Shares held by Holding Company:			
V-Guard Industries Limited	-in numbers	1,454,723	1,454,723
F. Details of Shareholders holding more than 5% shares in the company: *Equity Shares:*			
a. R B V S Arun Kumar	-in numbers	511,119	511,119
	- In percentage	26.00	26.00
c. V-Guard Industries Limited	-in numbers	1,454,723	1,454,723
	- In percentage	74.00	74.00

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Amount in ₹

Note No	Particulars	As at March 31, 2020	As at March 31, 2019
15	**Other Equity:**		
	Additional Investment from the Parent Company	3,826,849	2,226,849
	Capital Reserve (Industrial Subsidy)		
	At the beginning and at end of the Year	379,240	379,240
	Securities Premium		
	At the beginning and at end of the Year	23,861,228	23,861,228
	Surplus in Statement of Profit and Loss		
	At the beginning of the Year	3,105,124	(28,009,173)
	Adjustment due to adoption of IndAS 116	(3,214)	-
	Profit for the year	43,838,646	31,114,296
	At the end of the Year	46,940,556	3,105,123
	Other Comprehensive Income		
	On acturial Gain/(loss) on post employment benefits		
	At the beginning of the Year	230,894	100,080
	Profit transferred from the statement of Profit and loss	(192,564)	130,814
	At the end of the Year	38,330	230,894
	Total	**75,046,203**	**29,803,334**
16	**Other financial liabilities - Non Current:**		
	Lease Liability	40,481	-
	Total	**40,481**	-
17	**Provisions - Non Current:**		
	Provision for employee benefits		
	Provision for compensated absences	556,224	339,807
	Provision for Gratuity (refer Note:36)	2,891,803	2,317,402
	Other Provisions		
	De-commissioning liability	1,161,360	1,055,781
	Total	**4,609,387**	**3,712,990**
18	**Borrowings - Current:**		
	(Secured from Banks)		
	Loans repayable on demand		
	from ICICI Bank Limited - Cash Credit (refer Note:34)	27,725,382	40,944,164
	Total	**27,725,382**	**40,944,164**
19	**Trade Payables - Current: (refer Note:35)**		
	For Supplies and Services		
	Related Parties	1,347,033	277,489
	Others	52,326,044	61,215,693
	Total	**53,673,077**	**61,493,183**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No	Particulars		As at March 31, 2020	As at March 31, 2019
20	**Other financial liabilities - Current:**			
	Salaries and Wages payable			
	Others		1,116,478	574,761
	Related Parties		376,521	182,345
	Lease liability		4,500	-
	Other liabilities:			
	Dues to others		450,974	687,175
	Due to Related Parties		18,000	-
		Total	**1,966,473**	**1,444,281**
21	**Other current liabilities:**			
	Advance from Customers			
	from related parties		-	51,456,731
	Statutory Liabilities			
	Service Tax Payable		66,796	66,796
	GST payable		5,300,161	3,612,468
	Withholding Taxes Payable		431,782	468,985
	Other Statutory Dues		215,373	206,036
		Total	**6,014,112**	**55,811,016**
22	**Provisions - Current:**			
	Provision for employee benefits			
	Provision for Compensated absences		62,609	85,869
	Provision for Gratuity (refer Note:36)		241,380	201,498
	Other provisions			
	Provision for Warranties		6,382,633	4,254,099
	CSR Provision		500,000	-
		Total	**7,186,622**	**4,541,466**
23	**Commitments and Contingent Liabilities:**			
	i.Capital commitments(Net of advances)			
	Estimated amount of contracts remaining to be executed on capital account and not provided for		433,648	402,574
	ii.Commitments			
	Export obligation against imports		-	16,479,094

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No	Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
24	**Revenue from Operations:**			
	Sale of Products			
	Finished Goods		505,488,675	573,012,862
	Other Operating Income			
	Packing and Insurance Charges recovered		-	304,500
	Sale of Scrap		18,995,476	28,932,885
	Export Incentives		2,020,593	-
		Total	**526,504,744**	**602,250,247**
25	**Other Income:**			
	Interest Income Others		14,176	26,446
	Other Non-operating Income (Net of Expenses)			
	Profit on Sale of Inventory		1,640,229	382,448
	Government incentives -budgetary support		1,098,843	-
	Income from sale of Trademark		10,000,000	-
	Equipment hire charges		210,000	156,000
	Excess Provisions Written Back		-	11,754,738
	Expected Credit loss on trade receivables written back		3,493,406	4,633,174
	Credit Balances no longer payable Written Back		3,124,859	864,617
	Profit on Sale of Assets		-	10,310
	Miscellaneous Receipts		1,172,931	143,845
		Total	**20,754,444**	**17,971,578**
26	**Cost of Material Consumed:**			
	Inventory at the beginning of the year		44,089,378	45,566,768
	Add : Purchases		325,000,430	397,501,716
			369,089,808	443,068,484
	Less: Cost of inventory sold as such		2,573,520	2,452,433
	Less: Inventory at the end of the year		36,597,622	44,089,378
		Total	**329,918,666**	**396,526,673**
27	**Changes in inventories of Stock-In-Trade:**			
	Inventory at the beginning of the Year			
	Finished Goods		6,525,598	3,899,902
	Work in Progress		24,958,730	24,425,270
	Scrap		492,974	1,237,177
			31,977,302	29,562,349
	Finished Goods		6,781,178	6,525,598
	Work in Progress		17,882,851	24,958,730
	Scrap		747,905	492,974
			25,411,934	31,977,302
		Total	**6,565,368**	**(2,414,953)**
28	**Employee Benefits Expense:**			
	Salaries, Wages and Bonus		21,789,749	16,115,288
	Contribution to Provident and Other Funds		1,396,944	1,494,736
	Staff Welfare Expenses		888,224	869,755
	Gratuity		650,929	589,958
		Total	**24,725,846**	**19,069,737**
29	**Finance Costs**			
	Interest on borrowings		3,370,783	4,074,580
	Bank Charges and Commission		802,641	739,943
	Guarantee Commission		1,600,000	1,600,000
	Interest cost on de-commissioning liability		105,579	95,980
	Interest cost on Lease liability		4,498	-
		Total	**5,883,501**	**6,510,503**

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GUTS ELECTRO MECH LIMITED
CIN: U52520TG1987PLC007245
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amount in ₹

Note No	Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
30	**Depreciation and amortisation expense:**			
	Depreciation on Property ,Plant and Equipment		7,616,672	6,595,580
	Amortisation of Intangible Assets		86,238	27,596
		Total	**7,702,910**	**6,595,580**
31	**Other expenses:**			
	Power and Fuel		2,084,996	1,971,704
	Contract Labour Charges		15,096,324	14,641,606
	Job work Charges		61,587,538	68,996,193
	Home work Charges		185,194	1,059,151
	Stores Consumption		2,566,211	1,360,172
	Rental expenditure			
	Rents acrrued		-	4,500
	Amorisation of Prepaid Lease Rentals		-	38,125
	Repairs and maintenance			
	Machinary		1,182,975	880,090
	Building		1,026,423	967,861
	Other Assets		1,874,983	926,362
	Payments to Auditors			
	as auditors		215,000	200,000
	Certification Fee		200,000	45,000
	Provisions for:			
	Warranties		2,128,534	2,418,949
	Doubtful advances		-	7,934,997
	CSR activity		500,000	-
	Non - moving Inventory		775,960	-
	Written off of:			
	Advances		-	454,136
	Debit Balances		72,628	297,164
	Bad debts		5,173,504	5,203,685
	Rates and Taxes		3,150,927	8,342,408
	Loss on Foreign Exchange Fluctuations (Net)		3,730,969	3,450,734
	Others			
	Freight and Transportation		2,180,930	2,486,417
	Insurance		361,653	381,079
	Travelling and Conveyance		472,266	554,734
	Legal and professional charges		1,869,651	4,430,400
	Penalties		1,268,400	2,892,728
	Miscellaneous expenses		3,517,024	4,667,750
		Total	**111,222,089**	**134,605,947**
32	**Other comprehensive income:**			
	Acturial Gain/(Losses) on employee benefit Expense for the Year		(257,335)	181,233
	Deferred Taxes on above		64,771	(50,419)
		Total	**(192,564)**	**130,814**
33	**Earnings Per Equity Share:**			
	Profit for the Year attributable to equity share holders in INR		43,838,646	31,114,296
	Weighted average number of equity shares of ₹ 10/-each		1,965,842	1,965,842
	Earnings per equity share (Basic and Diluted) = (a/b)		**22.30**	**15.83**

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34. Secured loans from Banks:

FROM ICICI BANK LIMITED:

Cash Credit amounting to ₹ 5.00 crores and **Term Loan** amounting to ₹ 3.00 crores (yet to be drawn) is secured by:

Primary Security:

First and exclusive charge on entire current assets of the Company includes raw materials, goods in process, semi-finished goods, consumable stores and spares and such other movables including book debts, bills, together with movable properties such as receivables, movable plant and machinery, spares, tools and accessories both present and future of the Company premises at 163 C/164 E, I O A Phase II, Cherlapally, Hyderabad- 500051 and Plot No.2, Sector 3A, SIDCUL, Haridwar, Uttaranchal.

Collateral Security:

Corporate Guarantee executed by the parent company Viz., M/s. V-Guard Industries Limited

Interest and Repayment Terms:

- Cash Credit carries interest @ MCLR+0.70% per annum and is repayable on demand.
- Term Loan carries interest @ MCLR+0.65% per annum with monthly resting and shall be repaid in 16 equal quarterly instalments after the initial moratorium of one year from the date of disbursement till the final maturity date.
- The present MCLR is 8.15%

35. Disclosure of Trade Payables under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" and relied upon by the Auditors. The details of total outstanding dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprise Development Act, 2006 are as follows:

PARTICULARS	(Amount in ₹)	
	31.03.2020	31.03.2019
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	2,262,856	907,711
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.	Nil	Nil

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36. Movements in Provisions:

Amount in ₹

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Gratuity: (Refer Note: 38 also)		
At the beginning of the year	2,518,900	2,476,882
Charge for the year	869,214	408,725
Released during the year	(254,931)	(366,707)
At the end of the year	**3,133,183**	**2,518,900**
Compensated Absences:		
At the beginning of the year	425676	397,912
Charge for the year	233,995	88,156
Released during the year	(40,838)	(60,392)
At the end of the year	**618,833**	**425,676**
Warranties:		
At the beginning of the year	4,254,099	1,835,150
Charge for the year	2,128,534	2,418,949
Released during the year	--	--
At the end of the year	**6,382,633**	**4,254,099**
CSR Obligation:		
At the beginning of the year	--	--
Charge for the year	500,000	--
Released during the year	--	--
At the end of the year	**500,000**	--

37. Retirement and other Benefit Obligations:

Amount in ₹

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A.	**Defined Contribution Plan (Expenses)**		
	Contribution to Provident Fund	1,092,720	1,087,299
	Contribution to Employee State Insurance	260,380	361,831

B. Post – employment Defined Benefit Plan (Gratuity)

Amount in ₹

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1.	**Movement in Obligation**		
	Present Value of Obligation at the beginning of year	2,518,900	2,476,882
	Current Service Cost	467,984	406,477
	Interest Cost	182,945	183,482
	Benefits Paid	(254,931)	(366,707)
	Actuarial (Gain)/Loss on Obligation	218,285	(181,234)
	Present Value of Obligation at the end of year	**3,133,183**	**2,518,900**

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2.	**Expenses recognised in Profit and Loss Statement:**	**For the year ended March 31, 2019**	**For the year ended March 31, 2019**
	Current Service Cost	467,984	406,476
	Net Interest Cost	182,945	183,482
	Expense for the year	**650,929**	**589,959**

3.	**Recognised in Other Comprehensive Income:**		
	Actuarial (Gain) /loss for the year	218,285	(181,234)
	Total Expenditure recognised	**218,285**	**(181,234)**

4.	**Actuarial Assumptions for estimating Company's Defined Benefit Obligation:**		
	a. Attrition Rate	PS: 0 to 40: 9.60 %	PS: 0 to 40: 9.60 %
	b. Discount Rate	6.81%	7.65%
	c. Expected Rate of Increase in Salary	8.60%	8.60%
	d. Expected Rate of return on Plan Assets	NA	NA
	e. Mortality Rate	IALM (2006-08) Ult.	IALM (2006-08) Ult.
	f. Expected Average remaining working lives of employees (years)	23.48	25.45

5.	**Sensitivity Analysis**			**Amount in ₹**
	Sensitivity	**Change**	**Effect on obligations**	
	Discount Rate	+1%	(271,835)	(191,294)
		-1%	234,975	221,732
	Salary Escalation Rate	+1%	243,491	230,145
		-1%	(283,874)	(202,183)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the defined benefit obligation recognised within the Balance Sheet.

6.	**Expected Payout - Gratuity**		
	Expected payments – 1st Year	241,380	201,498
	Expected payments – 2nd Year	421,556	217,717
	Expected payments – 3rd Year	239,266	377,544
	Expected payments – 4th Year	239,544	205,590
	Expected payments – 5th Year	236,340	203,951
	Expected payments – 6th year to 10th Year	1,424,808	1,135,896

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8. **Other Information:**

   i. **Plan Assets:**

   At present the company has not invested any amount in plan assets.

   ii. **Present value of defined benefit obligation:**

   Present value of the defined benefit obligation is calculated by using Projected Unit Credit method (PUC Method). Under the PUC method a "projected accrued benefit" is calculated at the beginning of the year and again at the end of the year for each benefit that will accrue for all active members of the Plan. The "projected accrued benefit" is based on the Plan's accrual formula and upon service as of the beginning or end of the year but using a member's final compensation projected to the age at which the employee is assumed to leave active service. The Plan Liability is the actuarial present value of the "projected accrued benefits" as of the beginning of the year for active members.

   iii. **Expected average remaining service Vs. Average Remaining Future Service:**

   The average remaining service can be arithmetically arrived by deducting current age from normal retirement age whereas the expected average remaining future service is arrived actuarially by applying multiple decrements to the average remaining future service namely mortality and withdrawals. Thus, the expected average remaining service is always less than the average remaining future service.

   iv. **Current and Non- Current Liability:**

   The total of current and non-current liability must be equal with the total of PVO (Present value obligation) at the end of the period plus short-term compensated liability if any. It has been classified in terms of "Schedule III of the Companies Act 2013.

   Accordingly, below is the Current and Non-Current classification of Gratuity and Compensated Absences:

Amount in ₹

Particulars	As at March 31, 2020	As at March 31, 2019
Gratuity: -		
a. Current Portion	241,380	201,498
b. Non-current portion	2,891,803	2,317,402
Compensated Absences: -		
a. Current Portion	62,609	85,869
b. Non-current portion	556,224	339,807

   v. The rate of escalation in compensation considered in the above valuation is estimated taking into account inflation, seniority, promotion and other relevant factors and the above information is as certified by an actuary.

38. Income tax expense and Deferred Taxes

Amount in ₹

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
Income Tax Expense: -			
a.	Current Tax	16,500,000	16,000,000
b.	Deferred Tax (arising on temporary differences)	2,834,630	12,236,865
	Total Tax Expense for the year	**19,334,630**	**28,236,865**

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Amount in ₹

	Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
Effective Tax Reconciliation: -				
a.	Net Profit/(Loss) before taxes		60,983,564	59,481,975
b.	Tax rate applicable to the company as per normal provisions		25.17%	27.82%
c.	Tax expense on net profit (c = a*b)		**15,349,563**	**16,547,885**
d.	Increase/(decrease) in tax expenses on account of:			
	i.	Accelerated Depreciation	(320,394)	(817,647)
	ii.	Expenses not allowed under income tax	3,314,242	3,637,731
	iii.	Expenses that are allowed under payment basis	481,605	29,641
	iv.	Other allowances	(5,394,662)	(4,553,970)
	v.	Income charged under other heads	2,288,000	--
	vi.	Other adjustments	781,646	338,713
		Total Increase/(decrease) in tax expenses (d)	**1,150,437**	**(547,885)**
e.	**Tax as per normal provision under Income tax (c + d)**		**16,500,000**	**16,000,000**

	Deferred Taxes: -	For the year ended March 31, 2020	For the year ended March 31, 2019
As on the reporting date:			
a.	On OCI Component		
	-Actuarial Gain/(Losses) on Defined Benefit Plans	64,771	(50,419)
b.	Other than OCI component		
	-Difference in WDV of fixed assets	(6,200,807)	(5,623,679)
	-Fair Value of Financial Assets/liabilities	1,391,090	2,509,415
	-Other disallowances	4,081,593	5,335,960
c.	**Total for the year**	**(663,353)**	**2,171,277**
Expense/(Income) Recognised for the year ended:			
a.	Deferred tax liability/(asset) recognised in statement of profit and loss:	2,899,401	12,186,446
b.	Deferred tax recognised in Other Comprehensive Income	(64,771)	50,419
c.	Deferred tax recognised in Total Comprehensive Income	**2,834,630**	**12,236,865**

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39. Fair Value of financial instruments:

Amount in ₹

Particulars	As at March 31, 2020	As at March 31, 2019
Financial Assets: -		
At Amortised Cost		
Security Deposits	268,386	248,386
Employee Staff Advance	83,998	5,000
Carrying Value		
Security Deposits	268,386	248,386
Employee Staff Advance	83,998	5,000

The management assessed that cash and cash equivalents, trade receivables, trade payables and other current assets/liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

The fair value of the financials assets and liabilities is reported at the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

Fair value of interest free loans given to employees and security deposits have been calculated by discounting future cashflows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Description of significant observable inputs to valuation:

a. Interest free employee staff advance:

Since all the Employee advances are current in nature the carrying value is assumed to be the fair value of such advances.

b. Interest free Security Deposits (assets):

All the non-current Security Deposits are with no repayment terms. Hence the carrying value is assumed to be the fair value of such Deposits.

40. Fair Value hierarchy:

The following table provide the fair value measurement hierarchy of the company's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy for assets as at March 31, 2020:

Amount in ₹

Particulars	Total	Fair Value measurement using	
		Quoted prices in active markets	Significant observable inputs
Financial Assets measured at Amortised Cost:			
Security Deposits	268,386		268,386
Employee Staff Advance	83,998		83,998

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Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2019:

Amount in ₹

Particulars	Total	Fair Value measurement using	
		Quoted prices in active markets	Significant observable inputs
Financial Assets measured at Amortised Cost:			
Security Deposits	248,386	--	248,386
Employee Staff Advance	5,000	--	5,000

41. Segment Information:

The executive management of company monitors the operating results of its business as a single unit for the purpose of resource allocation and performance assessment which is "Manufacture of Electronic and Electromechanical Items". Hence segment information is not applicable.

Entity Wide Disclosures: **Amount in ₹**

Revenue from external customers	For the year ended March 31, 2020	For the year ended March 31, 2019
India	425,953,015	478,920,427
Outside India	79,535,660	94,092,435
Total	**505,488,675**	**573,012,862**
Revenue from one customer amounts to	319,069,899	307,344,953

Non-Current Operating Assets	As at March 31, 2020	As at March 31, 2019
India	82,766,951	81,157,862
Outside India	--	--
Total	**82,766,951**	**81,157,862**

for Non-Current Operating assets, financial instruments, deferred tax assets, post-employment benefit assets have been excluded.

42. The details of the transactions with related parties to be disclosed as required by Indian Accounting Standard – 24 are as follows.

Names of the Related parties and description of relationship:

i) Key Management Personnel	: Mr. RBVS Arun Kumar	: Managing Director
	: Mr. A. Jacob Kuruvilla	: Director (up to 31.03.2020)
	: Dr. George Sleeba	: Director (up to 31.03.2020)
	: Mr. V. Ramchandran	: Director (w.e.f 01.04.2020)
	: Mr. Abie Abraham	: Director (w.e.f 01.04.2020)
ii) Parent Company	: M/s. V-Guard Industries Limited	
iii) Other Related Parties	: M/s. Sri Vidyahitha (Proprietary Concern of wife of the Managing Director)	

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Transactions with Related Parties:

Amount in ₹

Particulars	31.03.2020	31.03.2019
i) Key Management Personnel		
Mr. RBVS Arun Kumar		
Remuneration	3,725,364	3,444,976
Mr. A Jacob Kuruvilla		
Sitting Fee	50,000	40,000
Dr. George Sleeba		
Sitting Fee	50,000	40,000
ii) Parent Company		
M/s. V-Guard Industries Limited		
Sale of Goods (net of returns)	319,069,899	325,966,053
Advances received (net)	--	51,456,731
Deputed Employees Service Cost	4,716,212	--
Guarantee Commission Paid	1,600,000	1,600,000
iii) Other Related Parties		
M/s. Sri Vidyahitha		
Equipment Lease earned	210,000	156,000
Services Availed (Job work)	32,294,846	32,613,297

Year end Balances {due from/ (due to)}

		31.03.2020	31.03.2019
1.	Mr. RBVS Arun Kumar	(376,521)	(182,345)
2.	Mr. A. Jacob Kuruvilla	(9,000)	-
3.	Dr. George Sleeba	(9,000)	-
4.	M/s. V-Guard Industries Limited	8,325,267	(51,456,731)
5.	M/s. Sri Vidyahitha	(1,347,033)	(277,489)

43. Financial Risk Management objectives and policies:

The company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The company's risk management policies focus on the unpredictability of financial risks and seek guidelines, where appropriate, to minimize the potential adverse impact of such risks. There has been no change to the company's exposure to these financial risks or the manner in which it manages and measures the risks.

The following sections provide the details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives policies and processes for the management of these risks.

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and support the Company's operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents are derived from its operations

The company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the mitigation of the risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The management / board reviews and agrees policies for managing each of these risks, which are summarized below.

i. **Market Risk:**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency rate risk interest rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans and advances deposits investments in debt securities mutual funds and other equity funds.

a. **Interest rate risk:**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates, loans and advances given by the company and Cash and Cash equivalents.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. As there are no long-term borrowings, the interest rate risk and the company's policy to manage its interest cost does not arise and interest rate sensitivity analysis is not provided.

b. **Foreign Currency Risk:**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from sales/purchases made that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly in US Dollars ($). The Company's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The following table demonstrates the sensitivity in the USD to the Indian Rupee with all other variables held constant. The impact on the company's profit before tax due to changes in the fair value of monetary assets is given below:

Amount in ₹

Particulars	Change in Rate	For the year ended March 31, 2020	For the year ended March 31, 2019
USD	+5.00 %	135,272	(855,182)
	-5.00 %	(135,272)	855,182

c. **Other price risk:**

Other price risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The company based on working capital requirement keeps its liquid funds in current accounts. The company doesn't have any significant other price risk.

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ii. Credit risk:

Credit risk is the risk of loss that may arise on outstanding financial instruments when a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities cash and short-term deposit) the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

a. Exposure to credit risk:

At the end of the reporting period the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. No other financial assets carry a significant exposure to credit risk.

b. Credit risk concentration profile:

At the end of the reporting period there were no significant concentrations of credit risk. The maximum exposures to credit risk in relation to each class of recognised financial assets is represented by the carrying amount of each financial assets as indicated in the balance sheet.

c. Financial assets that are neither past due nor impaired:

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and short-term deposits investment securities that are neither past due nor impaired are placed with or entered with reputable banks financial institutions or companies with high credit ratings and no history of default.

d. Financial assets that are either past due or impaired:

Trade receivables that are past due or impaired at the end of the reporting period for which lifetime expected credit loss has been provided by the company according to its policy. These are shown in the balance sheet at carrying value less impairment/expected credit loss (information provided in Note No. 10).

iii. Liquidity risk:

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The company ensures that it has sufficient cash on demand to meet expected operational demands including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Amount in ₹

Particulars	On demand	< 12 months	1 to 5 years	Total
Year ended 31 March, 2020				
Borrowings – Current	27,725,382	--	--	**27,725,382**
Trade Payables	--	53,732,383	--	**53,732,383**
Other financial liabilities	--	1,970,973	--	**1,970,973**
Year ended 31 March, 2019				
Borrowings – Current	40,944,164	--	--	**40,944,164**
Trade Payables	--	61,493,183	--	**61,493,183**
Other financial liabilities	--	1,444,281	--	**1,444,281**

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Excessive Risk Concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographical region or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

44. Capital Management:

Capital includes equity attributable to the equity holders of the parent. The primary objective of the capital management is to ensure that it maintain an efficient capital structure and healthy capital ratios in order to support its business and maximise shareholder's value.

The company manages its capital structure and make adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is, debt divided by total capital plus debt. The Company's policy is to keep the gearing ratio at an optimal level to ensure that the debt related covenants are complied with.

Amount in ₹

Particulars	As at March 31, 2020	As at March 31, 2019
Total Borrowings #	27,725,382	40,944,164
Net Debt	**27,725,382**	**40,944,164**
Equity	19,658,420	19,658,420
Other Equity	73,048,964	29,803,334
Total Equity	**92,707,384**	**49,461,754**
Gearing ratio	23.02%	45.29%

Total Borrowings include Long Term borrowings, short term maturities of long-term borrowings and working capital loans like Cash Credit and Buyers Credit.

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

45. Lease Disclosure:

Operating Lease:

The company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1st April 2019. Right of use assets(net) of Rs. 3,227,244/- and lease liabilities of Rs. 44,983/- have been recognised as on 1 April 2019 by de-recognising the Prepaid lease rentals amounting to Rs. 3,185,474/-.

Maturity Analysis of Lease Liabilities (Undiscounted):

Maturity Analysis	As at March 31, 2020	As at March 31, 2019
Less Than One Year	4,500	4,500
One to Five Years	18,000	18,000
More than Five Years	369,000	373,500

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46. Foreign Currency Exposure:

Particulars		As at March 31, 2020		As at March 31, 2019	
		Foreign Currency	Amount in ₹	Foreign Currency	Amount in ₹
Exposure in USD ($)					
Receivables:					
a	Export of goods	165,427	12,470,852	255,547	17,676,502
b	Advance to Suppliers	153,254	10,285,936	155,924	10,442,926
Payables:					
a	Import of Goods	154,806	11,318,938	517,493	35,627,324
Exposure in Chinese Yuan (CNY)					
Receivables:					
a	Advance to Suppliers	--	--	3,621	39,100
Payables:					
a	Import of Goods	2,391	25,452	--	--

per our report of even date
for Brahmayya & Co.
Chartered Accountants
Firm's Regn. Number:000513S

P.C.CHANDRAMOULI
Partner
Membership Number:025211

for and on behalf of the Board

R.B.V.S ARUN KUMAR
Managing Director

ABIE ABRAHAM
Director

Place: Hyderabad
Date: May 21,2020