# LOCUZ ENTERPRISE SOLUTIONS LIMITED

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31$^{ST}$ MARCH 2019

GMJ & CO
Chartered Accountants

3rd and 4th Floor, Vaastu Darshan,
B-Wing, Above Central Bank of India,
Azad Road, Andheri (East),
Mumbai – 400 069

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**GMJ & Co**
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# Independent Auditor's Report

To
The Members of

Locuz Enterprise Solutions Limited

## Report on Financial Statement

### Opinion

We have audited the Standalone financial statements of Locuz Enterprise Solutions Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the Standalone financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of "the Act". Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

**Information Other than the Financial Statements and Auditor's Report Thereon**

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the Standalone financial statements and our auditors' report thereon.

Our opinion on the Standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Standalone financial statements that give a true and fair view of the state of affairs, profit/loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone financial statements, the Management and Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management and Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the Standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

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or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system with reference to Standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparation of Standalone financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone financial statements, including the disclosures, and whether the Standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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**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 Companies Act, 2013, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
   c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
   e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164(2) of the Act.
   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) 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 Standalone financial statements Refer Note – 26F to the financial statements;
   ii. The Company has made provision, as required under the applicable law or accounting standard, for material foreseeable losses if any, on long term contracts.
   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   (C) With respect to the matter to be included in the Auditor's Report under section 197(16) :
   In our opinion and according to information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the

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provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For GMJ & CO
(Chartered Accountants)
(FRN: 103429W)

GMJ & CO. MUMBAI FRN. NO. 103429W CHARTERED ACCOUNTANTS

CA SANJEEV MAHESHWARI
PARTNER
Membership No. 038755
Place: Mumbai
Date: May 06, 2019

**Annexure A to the Independent Auditors' Report**

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the Standalone financial statements for the year ended 31 March 2019, we report the following:

i. In respect of the Company's fixed assets:
   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   (b) The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
   (c) The company does not own any immovable property.

ii. The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stock and the book records were not material.

iii. According the information and explanations given to us, during the year the company has not granted any loans, secured or unsecured, to companies, firms or other parties listed 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.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

v. The Company has not accepted any deposits during the year within the meaning of directives issued by RBI (Reserve Bank of India) and Section 73 to 76 or any other relevant provisions of the act and rules framed there under and does not have any unclaimed deposits as at March 31, 2019 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.

vi. The maintenance of cost records has not been specified by Central Government under section 148 (1) of the Companies Act, 2013, for the business activities carried out by the company. Thus reporting under clause 3(vi) of the order is not applicable to the company.

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

vii. According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax, Sales Tax, Service Tax, Excise Duty and Value Added Tax which have not been deposited as at March 31, 2019 on account of dispute are given below:

| Name of the Statue | Nature of Demand | Period to which amount relates | Rs | Forum where dispute is pending |
|---|---|---|---|---|
| | | | | |
| Central Sales Tax Act,1956 | Central Sales Tax | 2003-04 | 69,00,169 | Andhra Pradesh High Court |

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institutions or banks as at balance sheet date. Hence reporting under clause 3(viii) of the order is not applicable to the company.

ix. According to the records of the company examined by us and the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instruments) / Follow on offer and the money raised by term loans and hence reporting under clause 3(ix) of the order is not applicable to the company.

x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. According to the information and explanations given to us, the Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.

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xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Standalone financial statements as required by the applicable accounting standards.

xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

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

For GMJ & CO
Chartered Accountants
Firm's Reg. No. 103429W

GMJ & CO. MUMBAI FRN. NO. 103429W CHARTERED ACCOUNTANTS

CA SANJEEV MAHESHWARI
Partner
Membership No. 038755
Place: Mumbai
Date: May 06, 2019

### Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control with reference to 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 with reference to 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 authorizations 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 with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to 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 have, in all material respects, an adequate internal financial controls system with reference to Standalone financial statements and such internal financial controls with reference to Standalone financial statements were operating effectively as at 31 March 2019. based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For GMJ & CO
(Chartered Accountants)
(FRN: 103429W)

GMJ & CO. MUMBAI FRN. NO. 103429W CHARTERED ACCOUNTANTS

CA SANJEEV MAHESHWARI
PARTNER
Membership No. 038755

Place: Mumbai
Date: May 06, 2019

# LOCUZ ENTERPRISE SOLUTIONS LIMITED

CIN: U74400TG1999PLC032881

## BALANCE SHEET AS AT 31ST MARCH, 2019

(Figures in ₹ unless otherwise stated)

| Particulars | Note | March 31,2019 | March 31,2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| (a) Property, Plant and Equipment | 2 | 30,02,824 | 43,12,302 |
| (b) Other Intangible Assets | 3 | 2,41,164 | 7,85,218 |
| (c) Financial Assets | | | |
| (i) Investments | 4 | 66,950 | 66,950 |
| (ii) Other financial assets | 7 | 81,81,970 | 87,59,086 |
| (d) Other non-current assets | 8 | 14,78,72,202 | 7,57,55,190 |
| (e) Deferred Tax Asset | 12 | 1,03,17,768 | 73,00,000 |
| **Current assets** | | | |
| (a) Inventories | 9 | 60,07,579 | 99,15,493 |
| (b) Financial Assets | | | |
| (i) Trade receivables | 5 | 40,64,10,671 | 50,03,22,548 |
| (ii) Cash and bank balances | 10 | 82,11,073 | 2,28,18,256 |
| (iii) Bank Balances Other than (iii) above | 11 | 2,15,05,486 | 2,01,14,347 |
| (iv) Loans | 6 | 8,37,581 | 8,19,580 |
| (v) Other financial assets | 7 | 3,58,42,387 | 2,37,69,246 |
| (c) Other current assets | 8 | 9,37,66,295 | 9,19,98,499 |
| **TOTAL** | | **74,22,63,949** | **76,67,36,714** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity Share capital | 13 | 1,00,00,000 | 1,00,00,000 |
| (b) Other Equity | 14 | 18,92,62,956 | 13,29,52,959 |
| **Liabilities** | | | |
| **Non Current Liabilities** | | | |
| (a) Provisions | 18 | 1,33,04,895 | 1,28,08,910 |
| (b) Other Non-Current Liabilities | 19 | 5,79,66,166 | 2,14,89,630 |
| **Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 15 | 8,86,68,242 | 4,93,60,995 |
| (ii) Trade Payables | | | |
| Total outstanding dues from micro enterprises and small enterprises | 16 | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | | 27,46,05,544 | 42,14,29,688 |
| (iii) Other Financial Liabilities | 17 | - | 95,70,164 |
| (b) Other Current Liabilities | 19 | 9,48,73,198 | 9,31,65,451 |
| (c) Provisions | 18 | 11,52,947 | 86,58,917 |
| (d) Current Tax Liabilities (Net) | 20 | 1,24,30,000 | 73,00,000 |
| **TOTAL** | | **74,22,63,949** | **76,67,36,714** |
| **Significant accounting policies and notes on financial statements** | 1-26 | | |

**Notes 1 to 24 form an integral part of the consolidated financial statements**

**As per attached report of even date**

**For GMJ & CO**
**Chartered Accountants**
**F.R.No. 103429W**

S. Maheshwari
Partner
M.No.: 038755
Place : Mumbai
Date : 06th May,2019

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

For and on behalf of the Board

Vijay Kumar Wadhi
Managing Director
DIN: 00087657

Uttam K Majumdar
Wholetime Director
DIN: 00087668

Place : Hyderabad
Date : 06th May,2019

LOCUZ ENTERPRISE SOLUTIONS LTD.

# LOCUZ ENTERPRISE SOLUTIONS LIMITED

CIN: U74400TG1999PLC032881

## STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH,2019

(Figures in ₹ unless otherwise stated)

| Sl.No | Particulars | Note | For the year ended 31.03.19 | For the year ended 31.03.18 |
|---|---|---|---|---|
| I | Revenue from operations (net) | 21 | 164,81,67,030 | 156,33,17,230 |
| II | Other income | 22 | 1,12,27,143 | 74,01,789 |
| III | **Total Revenue (I+II)** | | 165,93,94,173 | 157,07,19,019 |
| IV | **EXPENSES** | | | |
| | Purchases of stock-in-trade and Cost of Revenue | 23 | 136,49,51,979 | 131,84,90,440 |
| | Changes in inventories of finished goods, work-in-process and Stock-in-Trade | 24 | 39,07,914 | (7,32,275) |
| | Employee benefits expense | 25 | 13,98,36,301 | 12,73,20,256 |
| | Finance costs | 26 | 2,32,54,917 | 2,64,72,406 |
| | Depreciation and amortization expense | 2&3 | 45,66,235 | 66,38,725 |
| | Other expenses | 27 | 6,25,35,903 | 5,75,97,893 |
| | **Total Expenses** | | 159,90,53,249 | 153,57,87,444 |
| V | **Profit/(loss) before exceptional items and tax (III- IV)** | | **6,03,40,925** | **3,49,31,576** |
| VI | Exceptional Items | | | |
| VII | **Profit / (Loss) before tax (V-VI)** | | **6,03,40,925** | **3,49,31,576** |
| VIII | **Tax expense:** | | | |
| | Current tax | | 1,24,30,000 | 73,00,000 |
| | Income Tax Adjustment pertaining to previous years | | | |
| | Deferred tax | | (30,17,768) | (73,00,000) |
| | MAT Credit | | | |
| IX | **Profit / (Loss) for the period (VII-VIII)** | | **5,09,28,693** | **3,49,31,576** |
| X | OTHER COMPREHENSIVE INCOME | | | |
| | A. Other Comprehensive Income to be reclassified to profit and loss in subsequent periods: | | | |
| | B. Other Comprehensive income not to be reclassified to profit and loss in subsequent periods: | | | |
| | Remeasurement of gains (losses) on defined benefit plans | | (2,81,305) | (20,00,166) |
| | Income tax effect | | | |
| | Net gain (loss) on financial instrument at FVTOCI | | | |
| | Income tax effect | | | |
| | **Other Comprehensive income for the year, net of tax** | | **(2,81,305)** | **(20,00,166)** |
| XI | TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | **5,12,09,998** | **3,69,31,742** |
| XII | **Earning per equity share:** | | | |
| | **Weighted average no. of Equity Shares of Rs. 10 each, fully paid up** | | 10,00,000 | 10,00,000 |
| | Basic and Diluted | | 50.93 | 34.93 |
| | **Significant accounting policies and notes on consolidated financial statements** | 1-26 | | |

**Notes 1 to 24 form an integral part of the consolidated financial statements**

**As per attached report of even date**
For GMJ & CO
Chartered Accountants
F.R.No. 103429W

S. Maheshwari
Partner
M.No.: 038755
Date : 06th May,2019

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

For and on behalf of the Board

Vijay Kumar Wadhi
Managing Director
DIN: 00087657

Uttam K Majumdar
Wholetime Director
DIN: 00087668

Place : Hyderabad
Date : 06th May,2019

LOCUZ ENTERPRISE SOLUTIONS LTD.

401, 4th Floor,
Krishe Sapphire,
Main Road, Madhapur,
Hyderabad - 500081

## LOCUZ ENTERPRISE SOLUTIONS LIMITED
## CIN: U74400TG1999PLC032881
## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2019

(Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| **Profit/(Loss) before income tax from:** | 6,03,40,925 | 3,49,31,578 |
| **Adjustments for:** | | |
| Depreciation and amortisation expense | 45,66,235 | 66,38,725 |
| Other Income | - | (74,01,789) |
| Interest Income | (10,41,374) | - |
| Bad Debts Written Off | (35,29,677) | - |
| Finance costs | 2,32,54,917 | 2,64,72,405 |
| **Change in operating assets and liabilities:** | | |
| (Increase)/ Decrease in Trade Receivables | 9,74,41,554 | (7,06,89,668) |
| Increase/ (Decrease) in Trade Payables | (14,68,24,143) | 6,30,71,607 |
| (Increase)/ Decrease in other Financial Assets | (1,14,96,025) | 91,71,376 |
| (Increase)/ Decrease in other Current Assets | (17,67,796) | 1,11,32,461 |
| (Increase)/ Decrease in Inventories | 39,07,914 | - |
| (Increase)/ Decrease in Other Bank Balances | (13,91,139) | (84,55,458) |
| (Increase)/ Decrease in Non Current Assets | (7,21,17,013) | 25,81,665 |
| Increase/ (Decrease) in Non-Current Liabilties | 3,64,76,536 | - |
| Increase/ (Decrease) in Provisions | (67,28,680) | - |
| (Increase)/ Decrease in other Financial Laibilities | (95,70,164) | (1,44,65,273) |
| Increase/ (Decrease) in other Current Liabilities | 17,07,747 | 13,95,206 |
| **Cash generated from operations** | **(2,67,70,183)** | **5,43,82,836** |
| Less: Income taxes paid | (73,00,000) | - |
| **Net Cash from / (used in) Operating Activities before Exceptional item** | **(3,40,70,183)** | **5,43,82,836** |
| Exceptional Item | | |
| **Net cash inflow from operating activities** | **(3,40,70,183)** | **5,43,82,836** |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Payments for property, plant and equipment | (27,12,699) | (13,35,493) |
| Interest received | 10,41,374 | 70,83,697 |
| Loans (Given) | (18,001) | - |
| **Net cash outflow from investing activities** | **(16,89,326)** | **57,48,204** |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds / (Repayment) from / to borrowings | 3,93,07,247 | (2,88,32,373) |
| Interest paid | (1,81,54,917) | (1,03,30,348) |
| **Net cash inflow (outflow) from financing activities** | **2,11,52,330** | **(3,91,62,722)** |
| Net increase (decrease) in cash and cash equivalents | (1,46,07,179) | 2,09,68,319 |
| Cash and Cash Equivalents at the beginning of the financial year | 2,28,18,256 | 18,49,936 |
| Effects of exchange rate changes on Cash and Cash Equivalents | - | - |
| **Cash and Cash Equivalents at end of the year** | 82,11,073 | 2,28,18,256 |

**As per attached report of even date**
**For GMJ & Co.**
**Chartered Accountants**
**F.R.No. 103429W**

S. Maheshwari
Partner
M.No.: 038755

Place : Mumbai
Date : 06th May,2019

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

**For and on behalf of the Board**

**Vijay Kumar Wadhi**
**Managing Director**
**DIN: 00087657**

Place : Hyderabad
Date : 06th May,2019

**Uttam K Majumdar**
**Wholetime Director**
**DIN: 00087668**

LOCUZ ENTERPRISE SOLUTIONS LTD.

LOCUZ ENTERPRISE SOLUTIONS LIMITED
CIN: U74400TG1999PLC032881

Notes to the Financial Statements

Note 2 - Property, Plant and Equipment

(Figures in ₹ unless otherwise stated)

| Particulars | Furniture and Fixtures | Office Equipments | Computer Hardwares | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| Gross carrying value as on April 1, 2018 | 17,32,466 | 19,13,676 | 64,29,692 | 1,19,33,197 | 2,20,09,031 |
| Additions | 2,60,254 | 1,00,259 | 20,08,688 | - | 23,69,201 |
| Deletions | - | - | - | - | - |
| Other Adjustments | - | - | - | - | - |
| **Gross carrying value as on March 31 , 2019** | **19,92,720** | **20,13,935** | **84,38,380** | **1,19,33,197** | **2,43,78,232** |
| Accumulated Depreciation as on April 1, 2018 | 3,35,741 | 11,21,301 | 63,10,238 | 99,29,445 | 1,76,96,725 |
| Depreciation for the period | 8,67,964 | 4,06,156 | 4,00,811 | 20,03,752 | 36,78,683 |
| Deductions\ Adjustments during the period | | | | | - |
| **Accumulated depreciation as on March 31, 2019** | **12,03,705** | **15,27,457** | **67,11,049** | **1,19,33,197** | **2,13,75,408** |
| **Carrying value as on March 31, 2019** | **7,89,015** | **4,86,478** | **17,27,331** | **-** | **30,02,824** |
| **Carrying value as on March 31, 2018** | **13,96,725** | **7,92,375** | **1,19,454** | **20,03,752** | **43,12,302** |

Note 1 - Property, Plant and Equipment

| Particulars | Furniture and Fixtures | Office Equipments | Computer Hardwares | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| Gross carrying value as on April 1, 2017 | 17,32,466 | 17,12,936 | 52,94,931 | 1,19,33,197 | 2,06,73,530 |
| Additions | | 2,00,740 | 11,34,761 | - | 13,35,501 |
| Deletions | - | - | - | - | - |
| Other Adjustments | - | - | - | - | - |
| **Gross carrying value as on March 31 , 2018** | **17,32,466** | **19,13,676** | **64,29,692** | **1,19,33,197** | **2,20,09,031** |
| Accumulated Depreciation as on April 1, 2017 | (5,62,668) | 6,91,078 | 50,68,607 | 68,50,299 | 1,20,47,316 |
| Depreciation for the period | 8,98,409 | 4,30,223 | 12,41,631 | 30,79,146 | 56,49,409 |
| Deductions\ Adjustments during the period | | | | | - |
| **Accumulated depreciation as on March 31, 2018** | **3,35,741** | **11,21,301** | **63,10,238** | **99,29,445** | **1,76,96,725** |
| **Carrying value as on March 31, 2018** | **13,96,725** | **7,92,375** | **1,19,454** | **20,03,752** | **43,12,302** |
| **Carrying value as on March 31, 2017** | **22,95,134** | **10,21,858** | **2,26,324** | **50,82,898** | **86,26,214** |

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

LOCUZ ENTERPRISE SOLUTIONS LTD.

**LOCUZ ENTERPRISE SOLUTIONS LIMITED**

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**Notes to the Financial Statements**

**Note 3 - Other Intangible Assets:**

Following are the changes in the carrying value of intangible assets for the year ended March 31, 2019:

(Figures in ₹ unless otherwise stated)

| Particulars | Computer Software | Total |
|---|---|---|
| Gross carrying value as on April 1, 2018 | 49,23,834 | 49,23,834 |
| Additions | 3,43,498 | 3,43,498 |
| Deletions | | - |
| Other Adjustments | - | - |
| **Gross carrying value as on March 31, 2019** | **52,67,332** | **52,67,332** |
| Accumulated Amortisation as on April 1, 2018 | 41,38,616 | 41,38,616 |
| Amortisation for the year | 8,87,552 | 8,87,552 |
| Deductions\Adjustments during the period | - | - |
| **Accumulated Amortisation as on March 31, 2019** | **50,26,168** | **50,26,168** |
| **Carrying value as on March 31, 2019** | **2,41,164** | **2,41,164** |
| **Carrying value as on March 31, 2018** | **7,85,218** | **7,85,218** |

Following are the changes in the carrying value of intangible assets for the year ended March 31, 2018:

(Figures in ₹ unless otherwise stated)

| Particulars | Computer Software | Total |
|---|---|---|
| Gross carrying value as on April 1, 2017 | 49,23,834 | 49,23,834 |
| Additions | | - |
| Deletions | - | - |
| Other Adjustments | - | - |
| **Gross carrying value as on March 31, 2018** | **49,23,834** | **49,23,834** |
| Accumulated Amortisation as on April 1, 2017 | 31,49,300 | 31,49,300 |
| Amortisation for the year | 9,89,316 | 9,89,316 |
| Deductions\Adjustments during the period | - | - |
| **Accumulated Amortisation as on March 31, 2018** | **41,38,616** | **41,38,616** |
| **Carrying value as on March 31, 2018** | **7,85,218** | **7,85,218** |
| **Carrying value as on March 31, 2017** | **17,74,534** | **17,74,534** |

**Significant Estimate : Useful life of Intangible Assets**

| Category of Assets | Useful lives adopted by Company |
|---|---|
| Patents, Copyrights and other rights | 3-5 years |
| Computer Software | 3-5 years |
| Non-Compete fees | 1-3 years |

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

LOCUZ ENTERPRISE SOLUTIONS LTD.

# LOCUZ ENTERPRISE SOLUTIONS LTD

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Notes to the Financial Statements

## Note 4 - Financial Assets - Investments

(Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Unquoted, carried at cost** | | |
| **Investment in Subsidiary** | | |
| 1,000 Equity shares of Locuz Inc, USA of USD 1 each | 66,950 | 66,950 |
| **Total Carrying Value** | **66,950** | **66,950** |

## Note 5 - Financial Assets - Trade Receivables

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Current** | | |
| Trade Receivables* | 40,64,10,671 | 50,03,22,548 |
| | 40,64,10,671 | 50,03,22,548 |
| **Breakup of Security Details** | | |
| Secured and considered good | - | |
| Unsecured, considered good | 40,64,10,671 | 50,03,22,548 |
| Which have significant increase in credit risk | | |
| Credit Impaired | 1,38,75,151 | 1,39,66,136 |
| | 42,02,85,822 | 51,42,88,684 |
| Loss Allowance (Allowance for bad and doubtful debts) | | |
| Unsecured, considered good | - | - |
| Credit Impaired | 1,38,75,151 | 1,39,66,136 |
| | 1,38,75,151 | 1,39,66,136 |
| **Total** | **40,64,10,671** | **50,03,22,548** |

*Refer Note 26(K)

Trade and Other Receivable due from directors or other officers of the Company either severally or jointly with any other person amounted to INR Nil (Previous Year INR Nil)

Trade or Other Receivable due from firms or private companies, respectively in which any director is a partner, a director or a member - Refer Note 26(K)

## Note 6 - Financial Assets - Loans

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Current | | |
| Unsecured, considered good | | |
| Loans to employees | 8,37,581 | 8,19,580 |
| **Total** | **8,37,581** | **8,19,580** |

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## LOCUZ ENTERPRISE SOLUTIONS LIMITED
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## Notes to the Financial Statements

**Note 7 - Financial Assets - Other financial assets** (Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Non Current** | | |
| **Unsecured, considered good** | | |
| Security Deposits | 81,81,970 | 87,59,086 |
| **Total** | **81,81,970** | **87,59,086** |
| **Current** | | |
| **Unsecured, considered good** | | |
| Security Deposits | 1,88,63,049 | 50,26,564 |
| Unbilled Revenue | 1,69,79,338 | 1,87,42,682 |
| **Total** | **3,58,42,387** | **2,37,69,246** |

**Note 8 - Other assets**

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Non Current | | |
| Balances with Statutory, Government Authorities | 36,54,248 | 36,34,023 |
| Prepaid Cost of Revenue | 5,64,46,025 | 1,98,83,389 |
| Payment of Tax | 8,77,71,929 | 5,22,37,778 |
| **Total** | **14,78,72,202** | **7,57,55,190** |
| Current | | |
| Prepaid expenses | 87,89,996 | 68,88,534 |
| Advances given to Associates | 7,13,977 | 7,13,977 |
| Prepaid Cost of Revenue | 7,62,68,061 | 7,81,79,247 |
| Advance to Suppliers | 32,91,463 | 54,41,628 |
| Other Current Assets | 47,02,797 | 7,75,113 |
| **Total** | **9,37,66,295** | **9,19,98,499** |

**Note 9 - Current assets - Inventories**
**(Valued at lower of Cost and Net Realisable value)**

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Stock-in-trade* | 60,07,579 | 99,15,493 |
| **Total** | **60,07,579** | **99,15,493** |

* Hypothecated to IDBI Bank for Working Capital Loan

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Notes to the Financial Statements

## Note 10 - Financial Assets - Cash and Bank Balances

(Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Balances with banks | 81,52,521 | 2,27,84,042 |
| Cash on hand | 58,552 | 34,214 |
| Total | 82,11,073 | 2,28,18,256 |

## Note 11 - Financial Assets - Other Cash and Bank Balances

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Other Bank Balances** | | |
| Deposits with banks to the extent held as margin money | 2,15,05,486 | 2,01,14,347 |
| Total | 2,15,05,486 | 2,01,14,347 |

## Note 12 - Deferred Tax Asset

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Non Current** | | |
| MAT Credit Entitlement (Asset) | 1,03,17,768 | 73,00,000 |
| Total | 1,03,17,768 | 73,00,000 |
| Current | | |
| Total | - | - |

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## Notes to Financial Statements

### 13. SHARE CAPITAL

**i. Authorised Share Capital**

(Figures in ₹ unless otherwise stated)

| Particulars | Equity Share (₹ 10/- Each) | |
|---|---|---|
| | Number | Amount |
| At March 31, 2018 | 10,00,000 | 1,00,00,000 |
| Increase/(decrease) during the year | - | - |
| **At March 31, 2019** | **10,00,000** | **1,00,00,000** |

**Terms / rights attached to equity shares**

The Company has only one class of equity shares having a par value of INR 10 each. Each shareholder has right to vote in respect of such share, on every resolution placed before the Company and his voting right on a poll shall be in proportion to his share of the paid up equity capital of the Company. In the event of liquidation, the equity shareholderes are entitled to receive the remaining assets of the Company after payments to secured and unsecured creditors in proportion to their shareholding.

**ii. Issued Capital**

**Equity Shares**

| Particulars | Number | Amount |
|---|---|---|
| Equity shares of INR 10 each issued | | |
| At March 31, 2018 | 10,00,000 | 1,00,00,000 |
| Issued during the year | - | - |
| At March 31, 2019 | 10,00,000 | 1,00,00,000 |

**iii. Subscribed and fully Paid-up Capital**

| Particulars | Number | Amount |
|---|---|---|
| Equity shares of INR 10 each | | |
| At March 31, 2018 | | |
| Issued Capital | 10,00,000 | 1,00,00,000 |
| Paid up Capital | 10,00,000 | 1,00,00,000 |
| At March 31, 2019 | | |
| Issued Capital | 10,00,000 | 1,00,00,000 |
| Paid up Capital | 10,00,000 | 1,00,00,000 |

**iv. Shares held by holding/ ultimate holding company and / or their subsidiaries / associates**

The shares held by Holding Company, 3i Infotech Limited 7,40,000 shares @ Rs. 10/- each. (Previous year 7,40,000 shares @ Rs. 10/- each)

**v. Details of shareholders holding more than 5% shares in the Company**

| Name of the shareholder | As at March 31, 2019 | | As at March 31, 2018 | |
|---|---|---|---|---|
| | Number | % holding | Number | % holding |
| Equity shares of INR 10/- each fully paid | | | | |
| 3i Infotech Limited | 7,40,000 | 74.00% | 7,40,000 | 74.00% |
| Uttam Kumar Majumdar | 96,230 | 9.62% | 96,230 | 9.62% |
| Vijay Kumar Wadhi | 92,663 | 9.27% | 92,663 | 9.27% |

vi. The Company has not alloted any equity shares as fully paid-up without payment being received in cash or as Bonus Shares or Bought back any equity shares.

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## Notes to Financial Statements

**14. Other Equity**

(Figures in ₹ unless otherwise stated)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Retained Earnings | 18,92,62,956 | 13,29,52,959 |
| | **18,92,62,956** | **13,29,52,959** |

**Retained Earnings**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Opening balance | 13,29,52,956 | 9,09,21,215 |
| Net Profit/(Loss) for the year | 5,09,28,693 | 3,49,31,576 |
| Add/(Less): | | |
| Corporate Guarantee Commission by Holding company | 51,00,000 | 51,00,000 |
| **Items of Other Comprehensive Income directly recognised in Retained Earnings** | | |
| Remeasurement of post employment benefit obligation | 2,81,305 | 20,00,166 |
| Total | 18,92,62,954 | 13,29,52,956 |

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**Notes to the Financial Statements**

**Note 15 - Financial Liabilities - Borrowings**

(Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| **Non Current** | | |
| **Unsecured** | | |
| Finance Lease Obligations | | 20,55,492 |
| Deferred Payment Liability to a Vendor* | | |
| | - | 20,55,492 |
| Less: Current Maturities of Non-Current Borrowings 'other current liabilities' | | (20,55,492) |
| *The Company has taken interest free unsecured loan from a Company on account of purchases made from certain vendors on deferred payment basis. | | |
| **Total** | - | - |
| **Current** | | |
| **Secured, repayable on demand** | | |
| Working Capital Loan from a Bank (Interest Rate -15.75% p.a, Previous Year - 15.75% p.a) | 6,47,95,136 | 4,00,56,306 |
| **Unsecured, repayable on demand** | | |
| Overdraft Facility from a Bank (Interest Rate -17% p.a, Previous Year - 17% p.a) | 20,45,076 | 18,04,689 |
| Loan from a Director (Interest Rate - 12% p.a. Previous Year - 12% p.a) | 75,00,000 | 75,00,000 |
| Channel finance Facility from Hero Fincop | 1,43,28,030 | - |
| **Total** | **8,86,68,242** | **4,93,60,995** |

*Working Capital Loan as stated above and Non-Fund Based limits of Rs.22 Crores (Previous Year - Rs. 22 Crores), utilised to the extent of Rs.19.17 Crores (Previous Year - Rs. 18.33 Crores) are secured by way of a first charge by hypothecation of current assets of the Company, both present and future. It is further guaranteed by the corporate guarantee of its Holding Company, 3i Infotech Limited.

## Net debt Reconciliation:

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Current Borrowings | 8,86,68,242 | 4,93,60,995 |
| Non-current Borrowings | - | 95,70,164 |
| **Total** | **8,86,68,242** | **5,89,31,159** |

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| Particulars | Liabilities from financing activities | |
|---|---|---|
| | Non Current Borrowings | Current Borrowings |
| **Net Debt as at April 1, 2017** | **2,40,35,437** | **7,61,37,877** |
| Cash Inflow | 68,49,204 | 106,48,03,981 |
| Foreign Exchange Adjustments | | |
| Cash Outflow | 2,13,14,476 | 109,25,57,947 |
| Net Receipt on Current Borrowings | | |
| Fair Value | | 9,77,084 |
| Interest Expense | - | 1,36,42,627 |
| Interest Paid | - | 1,36,42,627 |
| **Net Debt as at March 31, 2018** | **95,70,165** | **4,93,60,995** |
| Cash Inflow | - | 161,34,07,689 |
| Foreign Exchange Adjustments | | |
| Cash Outflow | 95,70,165 | 157,41,00,442 |
| Net Receipt on Current Borrowings | | |
| Fair Value | | |
| Interest Expense | - | 1,13,66,883 |
| Interest Paid | - | 1,13,66,883 |
| **Net Debt as at March 31, 2019** | **-** | **8,86,68,242** |

**Note 16 - Financial Liabilities - Trade Payables**

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Current | | |
| Due to: | | |
| Trade Payables to Micro,Small Medium Enterprises | - | - |
| Trade Payables to Holding Company* | 98,600 | 29,151 |
| Trade Payables to Others | 27,45,06,944 | 42,14,00,537 |
| **Total** | **27,46,05,544** | **42,14,29,688** |

**Note 17 - Financial Liabilities - Other Financial Liabilities**

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Current | | |
| Current maturities of Non Current Deferred Payment Liability to a Vendor | - | 75,14,672 |
| Current maturities of Finance lease obligations# | - | 20,55,492 |
| **Total** | **-** | **95,70,164** |

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Notes to the Financial Statements

## Note 18 - Provisions

(Figures in ₹ unless otherwise stated)

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Non Current | | |
| Provision for employee benefits: | | |
| Gratuity | 1,04,79,097 | 92,74,222 |
| Leave encashment | 28,25,798 | 35,34,688 |
| Provision for forseeable losses | - | - |
| Total | 1,33,04,895 | 1,28,08,910 |
| Current | | |
| Provision for employee benefits: | | |
| Gratuity | 4,21,227 | 4,58,612 |
| Leave encashment | 2,31,720 | 3,08,882 |
| Provision for warranty | 5,00,000 | 5,00,000 |
| Provision for forseeable losses | - | 73,91,423 |
| Total | 11,52,947 | 86,58,917 |

The Provision for warranties are expected to be realised over a period of 1 to 3 year

## Note 19 - Other Liabilities

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Non Current | | |
| Statutory liabilities | - | - |
| Other payables | - | |
| Unearned Revenue | 5,79,66,166 | 2,14,89,630 |
| Total | 5,79,66,166 | 2,14,89,630 |
| Current | | |
| Statutory liabilities | 48,94,466 | 1,43,94,493 |
| Advances from Customers | 1,17,783 | 88,28,294 |
| Unearned Revenue | 8,98,60,949 | 6,99,42,664 |
| Total | 9,48,73,198 | 9,31,65,451 |

## Note 20 - Current Tax Liabilities

| Particulars | March 31,2019 | March 31,2018 |
|---|---|---|
| Non Current | | |
| Total | - | - |
| Current | | |
| Provision for Income Tax | 1,24,30,000 | 73,00,000 |
| Total | 1,24,30,000 | 73,00,000 |

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## Notes to the Financial Statements

### Note 21 - Revenue From Operations

(Figures in ₹ unless otherwise stated)

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Sale of products | | |
| I. T. Solutions | 112,79,95,071 | 119,15,91,262 |
| Sale of services | | |
| I.T. Services | 47,93,47,395 | 34,44,73,480 |
| Other Operating Revenue | | |
| Commission | 2,59,07,645 | 62,55,281 |
| Target Discount Received | 1,49,16,918 | 2,09,97,207 |
| Total | 164,81,67,030 | 156,33,17,230 |

### Note 22 - Other Income

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest on | | |
| - Deposits | 10,41,374 | 14,20,041 |
| - Income Tax Refund received/Receivable | 28,05,816 | 28,04,571 |
| - Others | 600 | 4,83,117 |
| Other Miscellaneous Income | 73,79,353 | 26,94,061 |
| Total | 1,12,27,143 | 74,01,789 |

### Note 23 - Purchase of Stock-in-Trade and Cost of Revenue

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Hardware | 101,32,29,279 | 106,03,17,109 |
| IT Services | 35,17,22,700 | 25,81,73,331 |
| Total | 136,49,51,979 | 131,84,90,440 |

### Note 24 - Increase / (Decrease) in Inventories

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Inventories as at the beginning of the year | 99,15,493 | 91,83,218 |
| Less : Inventories as at the end of the year | 60,07,579 | 99,15,493 |
| Net decrease / (Increase) in Inventories (A-B) | 39,07,914 | (7,32,275) |

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## LOCUZ ENTERPRISE SOLUTIONS LIMITED
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Notes to the Financial Statements

### Note 25 - Employee benefits expense

(Figures in ₹ unless otherwise stated)

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Salaries, Wages and Bonus | 11,67,00,582 | 10,31,78,369 |
| Contribution to provident and other funds | 1,01,95,233 | 1,31,20,121 |
| Directors remuneration | 95,00,004 | 84,99,996 |
| Staff and labour welfare | 34,40,482 | 25,21,770 |
| Total | 13,98,36,301 | 12,73,20,256 |

### Note 26 - Finance Costs

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Interest on : | | |
| - Working Capital Loan | 92,17,293 | 90,70,148 |
| - Overdraft facility | 3,52,785 | 3,60,200 |
| - Unsecured Loan from a Director | 9,00,000 | 9,00,000 |
| - Late Payment of Statutory Dues | 4,57,304 | 29,00,786 |
| - Others | 4,39,501 | 4,11,493 |
| Other borrowing cost | 67,88,034 | 67,52,695 |
| Guarantee Commission Expense | 51,00,000 | 51,00,000 |
| Interest Expense (IND AS) | - | 9,77,084 |
| Total | 2,32,54,917 | 2,64,72,406 |

### Note 27 - Other expenses

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **Selling, Administration and Other Expenses** | | |
| Payment to Auditors* | | |
| - Stautory audit fee | 10,75,442 | 8,23,000 |
| - Certification fee | - | - |
| Bad Debts Writtenoff | 36,20,662 | 1,94,94,820 |
| Electricity charges | 34,41,784 | 32,73,062 |
| Insurance | 46,781 | 27,300 |
| Legal and professional fees | 43,73,547 | 38,89,507 |
| Rates and taxes | 5,76,053 | 12,33,709 |
| Rental and Hire Charges | 1,74,03,646 | 1,70,50,596 |
| Repairs & Maintenance - Others | 28,21,580 | 31,72,420 |
| Sales promotion expenses | 47,81,437 | 39,24,716 |
| Security charges | 5,23,900 | 4,47,813 |
| Telephone and Internet expenses | 17,28,698 | 29,10,611 |
| Travelling & Conveyance expenses | 1,29,25,924 | 1,01,72,123 |
| Foreign Exchange Loss (Net) | - | 1,55,815 |
| Miscellaneous expenses | 93,07,433 | 40,91,295 |
| Provision for bad and doubtful debts | (90,985) | (1,30,68,894) |
| Total | 6,25,35,903 | 5,75,97,893 |

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

LOCUZ ENTERPRISE SOLUTIONS LTD.

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Hyderabad - 500081

# LOCUZ ENTERPRISE SOLUTIONS LIMITED
## CIN: U74400TG1999PLC032881
## Notes to Financial Statements

**(a) Details of Payments to auditors**

(Figures in ₹ unless otherwise stated)

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| **As auditor** | | |
| Audit Fee | 10,75,442 | 8,23,000 |
| **In other capacity** | | |
| Other services (certification fees) | | - |
| | **10,75,442** | **8,23,000** |

**(b) Expenditure in foreign currency**

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Cost of outsourced services and bought out items | - | 16,65,012 |
| Travelling and other expenses | 20,01,115 | 77,176 |
| **Total** | **20,01,115** | **17,42,188** |

**(c) Earnings in foreign currency**

| Particulars | For the year ended March 31, 2019 | For the year ended March 31, 2018 |
|---|---|---|
| Target Discount and Commission | 144,65,638 | 2,30,39,886 |
| **Total** | **1,44,65,638** | **2,30,39,886** |

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# LOCUZ ENTERPRISE SOLUTIONS LIMITED

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## Notes to Financial Statements for the year ended March 31, 2019

**Note 1 - Statement of Significant Accountant Policies**

**1 Corporate Information**

These statements comprise the financial statements of Locuz Enterprise Solutions Limited ('the company') (CIN : U72200TG1999PLC032881) for the year ended March 31, 2018. The Company is a public company domiciled in India and was incorporated on November 19, 1999 under the provision of the Companies Act. The registered office of the Company is located at 4th Floor, # 401 Krishe Sapphire, Main Road, Madhapur Hyderabad, Telangana 500081.

The Company is primarily engaged in IT Infrastructure Services in verticals like Education & Research, Defence, IT/ITES and having branches at Delhi, Bangalore, Pune, Singapore and a 100% subsidiary in USA.

The Standalone financial statements for the year ended March 31,2018 were approved by the Board of Directors and authorised for issue on April 23,2018.

**2 Significant Accounting Policies**

**a) Statement of compliance**

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

**b) Basis of preparation**

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

**c) Use of estimates and judgments**

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

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

Key sources of estimation of uncertainty at the date of the financial statements, which may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are in respect of impairment of investments, useful lives of property, plant and equipment, valuation of deferred tax assets, provisions and contingent liabilities.

**(i) Impairment of Non Current Assets**

The Company reviews its carrying value of Non Current assets carried at cost / amortised cost annually, or more frequently when there is an indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

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**Notes to Financial Statements for the year ended March 31, 2019**

**(ii) Useful lives of property, plant and equipment**

The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in depreciation expense in future periods.

**(iii) Valuation of deferred tax assets**

The Company reviews the carrying amount of deferred tax assets at the end of each reporting period. The policy for the same has been explained under Note (i) below.

**(iv) Provisions and Contingent liabilities**

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits and compensated absences) are not discounted to its present value unless the effect of time value of money is material and are determined based on best estimate 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 estimates. Contingent liabilities are not recognised in the financial statements.

**d) Revenue Recognition**

The Company earns revenue from Sale of Goods and rendering IT/ITES and Transaction Services.

**Sale of Goods**

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The impact of adoption of the standard on the financial statements of the Company is insignificant. Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

Revenue from time and material and job contracts is recognised on output basis measured by units delivered, efforts expended,number of transactions processed, etc.

Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.

Revenue from the sale of distinct internally developed software and manufactured systems and third party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation

Revenue from the sale of distinct third party hardware is recognised at the point in time when control is transferred to the customer.

The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross or net basis depending on whether the Company is acting as the principal or as an agent of the customer. The Company recognises revenue in the gross amount of consideration when it is acting as a principal and at net amount of consideration when it is acting as an agent. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

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Unbilled Revenue is recognised when there is excess of revenue earned over billings on contracts. Unbilled Revenue is classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Unearned revenue is recognised when there is billings in excess of revenues. The billing schedules agreed with customers include periodic performance based payments and / or milestone based progress payments. Invoices are payable within contractually agreed credit period. In accordance with Ind AS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received. Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

**e) Interest Income**

Interest income is recognised using the effective interest method on time-proportionate basis

**f) Cost recognition**

Costs and expenses are recognised when incurred and have been classified according to their nature.

The costs of the Company are broadly categorised in employee benefit expenses, cost of third party products and services, finance costs ,depreciation and amortisation and other expenses. Employee benefit expenses include employee compensation, allowances paid, contribution to various funds and staff welfare expenses. Cost of third party products and services mainly include purchase of software licenses and products ,fees to external consultants ,cost of running its facilities, cost of equipment and other operating expenses. Finance cost includes interest and other borrowing cost. Other expenses is an aggregation of costs which are individually not material such as commission and brokerage, printing and stationery, legal and professional charges, communication, repairs and maintenance etc.

**g) Foreign currency**

The functional currency of the Company is Indian rupee (INR).

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

**h) Income taxes**

**Current income taxes**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

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Notes to Financial Statements for the year ended March 31, 2019

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 tax paying units intends to settle the asset and liability on a net basis.

**Deferred income taxes**

Deferred income tax is recognised using the Balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax asset are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income 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 income tax asset to be utilized.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternate Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future economic tax liability. Accordingly, MAT is recognised as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

The Company recognises interest levied and penalties related to income tax assessments in finance costs.

**i) 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.

**(i) Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

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**Notes to Financial Statements for the year ended March 31, 2019**

**(ii) Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame 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.

**Subsequent measurement**

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

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

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

**- Debt instrument at fair value through other comprehensive income (FVTOCI)**

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

(a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

(b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**- Debt instrument at fair value through profit and loss (FVTPL)**

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

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

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

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**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

Interest in subsidiaries, associates and joint ventures are accounted at cost.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired.

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

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

**(iii) Financial liabilities**

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

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

**- Financial Liabilities at fair value**

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.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss.

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Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. These gains / loss are not subsequently transferred to Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit and Loss. The Company has not designated any financial liability as at FVTPL.

**- Loans and borrowings**

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

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

**- Financial guarantee contracts**

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

**Derecognition**

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

**(iv) Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. 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.

**(v) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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**Notes to Financial Statements for the year ended March 31, 2019**

j) **Investments in subsidiaries**

Investments in subsidiaries are measured at cost less impairment.

k) **Property, plant and equipment**

All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

**Depreciation methods, estimated useful lives and residual value**

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives adopted by Company:

| Category of Assets | Useful lives adopted by Company | Useful Lives prescribed under Schedule II of the Act |
|---|---|---|
| Computers | 3 years | 3-6 years |
| Plant and Machinery, Electrical Installation | 5 years | 15 years |
| Office Equipment | 5 years | 5 years |
| Furniture and Fixtures | 5 years | 10 years |
| Servers | 6 years | 3-6 years |

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit and loss within other gains/(losses).

l) **Intangible assets**

(i) **Patents, copyrights , Business commercial rights and other rights**

Separately acquired patents and copyrights are shown at historical cost. Patents, copyrights and non-compete acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) **Software Products - Meant for Sale**

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised or tested for impairment from the point at which the asset is available for use.

**(iii) Research and development**

Research expenditure and development expenditure that do not meet the criteria specified above are recognised as an expense as incurred in the statement of profit and loss. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**Amortisation methods and periods**

The Company amortises intangible assets with a finite useful life using the straight-line method over the following periods:

| Category of Assets | Useful lives adopted by Company |
|---|---|
| Patents, Copyrights and other rights | 3-5 years |
| Computer Software | 3-5 years |
| Non-Compete fees | 1-3 years |

**m) Impairment**

**(i) Financial assets (other than at fair value)**

The Company assesses at each date of Balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and/or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk or the financial asset has increased significantly since initial recognition.

**(ii) Non-financial assets**

**Tangible and intangible assets**

Property, plant and equipment and intangible assets within finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

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If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

n) **Employee benefits**

**(i) Short-term obligations**

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

**(ii) Other long-term employee benefit obligations**

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

**(iii) Post-employment obligations**

The Company operates the following post-employment schemes:

(a) defined benefit plans such as gratuity; and

(b) defined contribution plans such as provident fund.

**- Gratuity obligations**

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in OCI. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in statement of profit and loss as past service cost.

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- **Defined contribution plans**

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

o) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

p) **Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred and are recognised in the statement of profit and loss.

q) **Provisions**

**General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

r) **Earnings per share**

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

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s) **Current/non current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities 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. The Company has identified twelve months as its operating cycle.

t) **Inventories**

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

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

Stores and spares

Carried at lower of cost and net realisable value.

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.

u) Cash Flow Statement

Cash Flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the company are segregated.

v) **Recent accounting pronouncements:**

(i) **Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:**

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

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**(ii) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The amendment to standard issued up to the date of issuance of the Company's financial statements, but not yet effective as of the date of the Company's financial statements is disclosed below. The Company intends to adopt the amendment to standard when it becomes effective.

**Amendment to Ind AS 12 : Income Taxes**

On March 30, 2019, the Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, Income Taxes, in connection with accounting for dividend distribution taxes.

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

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is currently evaluating the effect of this amendment on the standalone financial statements.

**Ind AS 12 (Appendix C) : Uncertainty over Income Tax Treatments**

On March 30, 2019, the Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition :

- Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight, and
- Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives. The effect on adoption of Ind AS 12 Appendix C would be insignificant in the standalone financial statements.

**Amendment to Ind AS 19 : Employee Benefits**

On March 30, 2019, the Ministry of Corporate Affairs issued amendments to Ind AS 19, Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity :

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment

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**Ind AS 116 : Leases**

Ind AS 116, Leases : On March 30, 2019, the Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases standard, Ind AS 17,Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation anddisclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently,operating lease expenses are charged to the Statement of Profitand Loss. The standard also contains enhanced disclosurerequirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.The effective date for the adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition :

• Full retrospective – Retrospectively to each prior period presented applying Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors

• Modified retrospective – Retrospectively, with the cumulative effect of initially applying the standard recognized at the date of initial application

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as under :-

• Its carrying amount as if the standard had been applied since the commencement date, but discounted at the lessee's incremental borrowing rate at the date of initial application, or

• An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application.

**w) Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest rupee as per the requirement of Schedule III, unless otherwise stated.

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Notes to Financial Statements for the period ended March 31, 2019

**26(A). Income Tax** (Figures in ₹ unless otherwise stated)

**Unrecognised deferred tax assets**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Deductible temporary differences | 1,99,00,000 | 1,25,52,000 |
| Unrecognised tax losses | | - |

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Considering the probability of availability of future taxable profits in the period in which tax losses expire, deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses carried forward by the Company.

**Major Components of income tax expense for the period ended March 31, 2019 and March 31, 2018 are as follows:**

**Income tax recognised in Profit or Loss:**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Current income tax charge | 1,24,30,000 | 73,00,000 |
| Adjustment in respect of current income tax of previous year | | - |
| MAT Credit Entitlement | (30,17,768) | (73,00,000) |
| | **94,12,232** | - |

**Reconciliation of tax expense and accounting profit multiplied by income tax rate for March 31, 2019 and March 31, 2018:**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Accounting profit before income tax | 6,03,40,925 | 3,69,31,744 |
| Enacted tax rate in India | 27.82% | 30.90% |
| Income tax on accounting profits | 1,67,86,845 | 1,14,11,909 |
| Effect of | | |
| Unrecognised timing difference | 80,804 | (41,83,401) |
| Unrecognised tax losses | - | (72,28,507) |
| Depreciation | 3,80,269 | |
| Expenses not allowable or considered separately under Income Tax | - | - |
| Losses carried adjusted during the year | (78,35,686) | - |
| **Tax at effective income tax rate** | **94,12,232** | - |

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26(B) - DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 (MSMED ACT, 2006)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Principal amount due to suppliers under MSMED Act, 2006* | - | - |
| Interest accrued and due to suppliers under MSMED Act, on the above amount | - | - |
| Payment made to suppliers ( other than interest ) beyond the appointed day, during the year | - | - |
| Interest paid to suppliers under MSMED Act, ( other than Section 16 ) | - | - |
| Interest paid to suppliers under MSMED Act, ( Section 16 ) | - | - |
| Interest due and payable to suppliers under MSMED Act, for payment already made | - | - |
| Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act, 2006 | - | - |

* Amount includes due and unpaid of INR Nil (March 31, 2018: INR Nil)

The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

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**26 (C) - Earnings per Share**

(Figures in ₹ unless otherwise stated)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| (a) Basic earnings per share | 50.93 | 34.93 |
| (b) Diluted earnings per share | 50.93 | 34.93 |
| (c) Reconciliations of earnings used in calculating earnings per share<br>Profit attributable to the equity holders of the company used in calculating basic earnings per share: | 5,09,28,693 | 3,49,31,578 |
| (d) Weighted average number of equity shares used as the denominator in calculating diluted earnings per share | 10,00,000 | 10,00,000 |

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

26(D) Employee Benefits Obligation

(Figures in ₹ unless otherwise stated)

| Particulars | March 31, 2019 | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Current | Non Current | Total | Current | Non Current | Total |
| Leave obligations | 2,31,720 | 28,25,798 | 30,57,518 | 3,08,882 | 35,34,688 | 38,43,570 |
| Gratuity | 4,21,227 | 104,79,097 | 1,09,00,324 | 4,58,612 | 92,74,222 | 97,32,834 |
| Defined pension benefits | - | - | - | - | - | - |
| **Total Employee Benefit Obligation** | 6,52,947 | 1,33,04,895 | 1,39,57,842 | 7,67,494 | 1,28,08,910 | 1,35,76,404 |

**(i) Leave Obligations**

The leave obligations cover the company's liability for sick and earned leave.

The amount of the provision of INR 2,31,720 (March 31, 2018: INR 3,08,882) is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations.

**(ii) Post Employement obligations**

**a) Gratuity**

The company provides for gratuity for employees in india as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied by number of years of service upto 10 years and 26 days salary multiplied by number of years of service beyond 10 years.

The gratuity plan is a partially **funded plan** and the company makes contributions to recognised funds in India. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

**The amount recognised in the balance sheet and the movement in the net defined benefit obligation over the period are as follows:**

| Particulars | Present value of obligation | Fair value of plan assets | Impact of asset ceiling | Net amount |
|---|---|---|---|---|
| **As at March 31, 2018** | 97,32,834 | (11,49,873) | - | 85,82,961 |
| Current service cost | 19,59,682 | (89,626) | - | 18,70,056 |
| Interest expense/(income) | 7,58,621 | - | - | 7,58,621 |
| **Total amount recognised in profit or loss** | 27,18,303 | (89,626) | - | 26,28,677 |
| Remeasurements | | | | |
| Retrun of plan assets, excluding amount included in interest (income) | - | - | - | - |
| (Gain)/Loss from change in demographic assumptions | (4,65,869) | - | - | (4,65,869) |
| (Gain)/Loss from change in financial assumptions | 1,29,724 | - | - | 1,29,724 |
| Experience (gains)/losses | 54,840 | - | - | 54,840 |
| **Total amount recognised in other comprehensive income** | (2,81,305) | - | - | (2,81,305) |
| Employer contributions | | (14,51,388) | | (14,51,388) |
| Benefit payments | (12,69,508) | 12,69,508 | - | - |
| **As at March 31, 2019** | 1,09,00,324 | (14,21,379) | - | 94,78,945 |

**The net liability disclosed above relates to funded and unfunded plans are as follows:**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Present value of funded obligations | 1,09,00,324 | 97,32,834 |
| Fair value of plan assets | 14,21,379 | 11,49,873 |
| **Deficit of funded plan** | 94,78,945 | 85,82,961 |
| Unfunded plans | - | - |
| Deficit of Gratuity | 94,78,945 | 85,82,961 |

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**26 (E) Leases**

**Operating Lease Commitments - Company as lessee** **(Figures in ₹ unless otherwise stated)**

The company leases various cars , on-cancellable operating leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights.

On renewal, the terms of the leases are renegotiated.

The company has paid ₹ 13,68,324/- (March 31, 2018: ₹ 18,59,482/-) during the year towards minimum lease payment.

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **Commitments for minimum lease payments in relation to non cancellable operating leases are as follows:** | | |
| Within one year | 13,51,872 | 11,30,484 |
| Later than one year but not later than five years | 12,79,617 | 15,31,479 |
| later than five years | - | - |
| **Total** | **26,31,489** | **26,61,963** |

**Finance lease - Company as lessee**

Leasehold Improvements are acquired on finance lease in the course of sale and lease back transaction. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

| Particulars | March 31, 2019 | | March 31, 2018 | |
|---|---|---|---|---|
| | Minimum Lease payments | Present value of MLP | Minimum Lease payments | Present value of MLP |
| Within one year | - | | 21,60,000 | 20,55,491 |
| After one year but not more than five years | | | | |
| More than five years | | | | |
| Total minimum lease payments | - | - | 21,60,000 | 20,55,491 |
| Less: amount representing finance charge | | - | 1,04,509 | - |
| Present value of minimum lease payments | - | - | **20,55,491** | **20,55,491** |

The salient features of Material Finance Lease Agreements are:

a. The finance lease is for a period of 3 years at a fixed monthly rental of Rs. 2,40,000/-

b. The Company has an option to purchase the asset at the end of the lease term upon payment of 1% of residual value of the asset

c. The lessor has the right to terminate the agreement in case the Company fails to pay the rentals on the dates and as per the terms and conditions of the Agreement within 10 days of their becoming due

d. Finance lease period for the said assets was completed 31-12-2018

**26 (F) Contingent Liabilities** **(Figures in ₹ unless otherwise stated)**

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| i. Guarantees excluding financial guarantees | 19,67,47,992 | 18,33,14,700 |
| ii. Other money for which the company is contingently liable | 69,00,169 | 69,00,169 |
| Total | 20,36,48,161 | 19,02,14,869 |

**Note:**

The Company's pending litigation is in respect of proceedings pending with Tax Authorities with various courts. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial statements.

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## 26 (G) CAPITAL MANAGEMENT

For the purpsoe of the Company's capital management, capital includes issued equity capital, and all other equity reserves attributable to the equity share holders of the company. The primary objective of the Company's capital management is to maximise the shareholder value.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

(Figures in ₹ unless otherwise stated)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| Borrowings other than convertible preference shares | 8,86,68,242 | 4,93,60,995 |
| Trade payables | 27,46,05,544 | 42,14,29,688 |
| Other financial liabilities | - | 95,70,164 |
| Less: cash and cash equivalents | (2,97,16,559) | (4,29,32,603) |
| **Net Debt** | **33,35,57,228** | **43,74,28,244** |
| Equity share capital | 1,00,00,000 | 1,00,00,000 |
| Other Equity | 18,92,62,956 | 13,29,52,959 |
| **Total Capital** | **19,92,62,956** | **14,29,52,959** |
| **Capital and net debt** | **53,28,20,184** | **58,03,81,203** |
| **Gearing ratio** | **62.60** | **75.37** |

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**26 (H) The carrying amount of assets pledged as security for current and non current borrowings are as follows:**

(Figures in ₹ unless otherwise stated)

| Particulars | March 31, 2019 | March 31, 2018 |
|---|---|---|
| **CURRENT ASSETS** | | |
| **i. Financial Assets** | | |
| Trade Receivable | 40,64,10,671 | 50,03,22,548 |
| **ii. Non Financial Assets** | | |
| Inventories | 60,07,579 | 99,15,493 |
| **Total current assets pledged as security** | **41,24,18,250** | **51,02,38,041** |

**26 (I) Fair Value Measurements**

**i. Financial Instruments by Category**

(Figures in ₹ unless otherwise stated)

| Particulars | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | March 31, 2019 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| **FINANCIAL ASSETS** | | | | |
| Trade Receivables | 40,64,10,671 | 50,03,22,548 | 40,64,10,671 | 50,03,22,548 |
| Loans | 8,37,581 | 8,19,580 | 8,37,581 | 8,19,580 |
| Cash and Cash Equivalents | 82,11,073 | 2,28,18,256 | 82,11,073 | 2,28,18,256 |
| Other Bank Balances | 2,15,05,486 | 2,01,14,347 | 2,15,05,486 | 2,01,14,347 |
| Other Financial Assets | 4,40,24,357 | 3,25,28,332 | 4,40,24,357 | 3,25,28,332 |
| | **48,09,89,167** | **57,66,03,063** | **48,09,89,167** | **57,66,03,063** |
| **FINANCIAL LIABILITIES** | | | | |
| Borrowings | 8,86,68,242 | 4,93,60,995 | 8,86,68,242 | 4,93,60,995 |
| Trade Payables | 27,46,05,544 | 42,14,29,688 | 27,46,05,544 | 42,14,29,688 |
| Other financial liabilities | - | 95,70,164 | - | 95,70,164 |
| | **36,32,73,787** | **48,03,60,847** | **36,32,73,787** | **48,03,60,847** |

The management assessed that the fair value of cash and cash equivalent, trade receivables, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

**ii. Fair Value Hierarchy**

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into three levels prescribed under the accounting standard.

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**Note 26 (J) Financial Risk Management**

The Company is exposed primarily to fluctuations in foreign currency exchange rates, credit, liquidity and interest rate risk, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which covers risks associated with the financial assets and liabilities . The risk management policy is approved by Board of Directors . The focus of the risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

**i. Market Risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of the change in market prices . Such changes in the value of financial instruments may result from changes in the foreign currency exchange, interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

**(a) Foreign currency exchange rate risk**

The fluctuation in foreign currency exchange rate may have potential impact on the statement of profit and loss and the other comprehensive income and equity ,where any transaction reference more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the Company.

Considering the countries and the economic environment in which the Company operates, its operations are subject to risk arising from fluctuations in exchange rates in those countries. The risks primarily relates to fluctuations in US Dollar and Euro against the functional currency of the Company.

The Company, as per its current risk management policy ,does not use any derivatives instruments to hedge foreign exchange . Further ,any movement in the functional currency of the various operations of the Company against major foreign currencies may impact the Company's revenue in international business.

The Company evaluates the impact of the foreign exchange rate fluctuation by assessing its exposure to exchange rate risks. Apart from exposures of foreign currency payables and receivables, which partially are naturally hedged against each other, the Company does not use any hedging instruments to hedge its foreign currency exposures; in line with the current risk management policies.

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure and a simultaneous parallel foreign exchange rate shift of all the currencies by 1% against the functional currency of the Company.

The following analysis has been worked out based on the net exposures of the Company as of the date of Balance Sheet which could affect the statement of profit and loss and the other comprehensive income and equity.

**The following table set forth information relating to foreign currency exposure as at March 31,2019:**

(Figures in ₹ unless otherwise stated)

| Particulars | USD | Total |
|---|---|---|
| Total financial assets | 5,21,111 | 3,60,45,938 |
| Total financial liabilities | 1,22,260 | 84,56,883 |

1% appreciation and 1% depreciation of the respective foreign currencies with respect to functional currency of the Company would result in increase and decrease respectively in the Company 's profit before tax by approximately ₹ 6.05 lakhs for the period ended March 31, 2019

**The following table sets forth information relating to foreign currency exposure as at March 31, 2018:**

(Figures in ₹ unless otherwise stated)

| Particulars | USD | Total |
|---|---|---|
| Total financial assets | 8,57,536 | 5,57,77,657 |
| Total financial liabilities | 2,551 | 1,65,927 |

1% appreciation and 1% depreciation of the respective foreign currencies with respect to functional currency of the Company would result in increase and decrease respectively in the Company 's profit before tax by approximately ₹ 5.56 lakhs for the year ended March 31, 2018.

**(b) Interest rate risk**

The Company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market.

**ii. Credit risk:**

Credit risk is the risk that the counterparty will not meet its obligations leading to a financial loss. Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables and unbilled revenues.

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

LOCUZ ENTERPRISE SOLUTIONS LTD.

401, 4th Floor,
Krishe Sapphire,
Main Road, Madhapur,
Hyderabad - 500081

## LOCUZ ENTERPRISE SOLUTIONS LIMITED

CIN: U74400TG1999PLC032881

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

**26 (K) RELATED PARTY TRANSACTIONS**

(Figures in ₹ unless otherwise stated)

**(i) List of related parties as per the requirements of IndAS 24 - Related Party Disclosures**

| Name of Related Party | Nature of Relationship | Country of Incorporation |
|---|---|---|
| Locuz INC | Foreign Subsidiary | USA |
| 3i Infotech Limited | Holding Company | INDIA |

**Key Managerial Personnal (KMP) :**

| Name of Related Party | Designation / Details | Remarks |
|---|---|---|
| 1. Mr. Vijay Kumar Wadhi | Managing Director | Appointed on Nov 19, 1999 |
| 2. Mr. Uttam Kumar Majumdar | Whole Time Director | Appointed on Nov 19, 1999 |

**(ii) Transactions with related parties**

The following transactions occurred with related parties during the period ended 31st March, 2019

| Name | Nature of Transaction | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| 3i Infotech Limited | Sale of Services | 5,29,39,985 | - |
| | Expenses | 10,11,030 | 11,77,441 |
| | Guarantee Commission expense | 51,00,000 | 51,00,000 |
| | | | |
| 3i Infotech Limited INC | Sale of Services | 5,36,025 | |
| | | | |
| Locuz INC | Sale of Services | 2,35,58,182 | 1,47,03,375 |
| | Expenses | - | |

**(iii) Outstanding balances arising from sales/purchases of goods and services**

| Name | Nature of Relationship | March 31, 2019 | March 31, 2018 |
|---|---|---|---|
| **Note - Trade Receivables:** | | | |
| 3i Infotech Limited INC | Holding company | 5,18,785 | - |
| 3i MEARC FZ LLC | Associate Company | - | 11,38,272 |
| Locuz Inc | Subsidiary Company | 2,45,54,696 | 1,75,80,464 |
| | | | |
| **Note - Other Current Assets:** | | | |
| 3i Infotech Limited | Holding company | - | - |
| Locuz Inc | Subsidiary Company | 7,13,977 | 7,13,977 |
| | | | |
| **Note - Trade Payables:** | | | |
| 3i Infotech Limited | Holding company | 98,600 | 29,151 |
| Vijay Kumar wadhi | Managing director | 75,00,000 | 75,00,000 |
| | | | |
| **Directors Remuneration Payable** | | | |
| Vijay Kumar Wadhi | Managing director | 78,86,865 | 81,62,579 |
| Uttam Kumar Majumdar | Wholetime Director | 57,40,512 | 59,87,434 |
| | | | |
| **Bad-Debts Written Off** | | | |
| 3i Infotech Limited | Holding company | - | - |
| | | | |
| **Corporate Guarantee** | | | |
| 3i Infotech Limited | Holding company | 34,00,00,000 | 34,00,00,000 |

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

LOCUZ ENTERPRISE SOLUTIONS LTD.

## LOCUZ ENTERPRISE SOLUTIONS LIMITED

CIN: U74400TG1999PLC032881

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

**(v) Key management personnel compensation**

(Figures in ₹ unless otherwise stated)

| Particulars | 2018-19 | 2017-18 |
|---|---|---|
| Salaries and other employee benefits to Whole-time directors and executive officers | 95,00,004 | 84,99,996 |
| Commission and other benefits to non-executive (independent directors) | - | 50,000 |
| Total | 95,00,004 | 85,49,996 |

**(vii) Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables and payables.. This assessment is undertaken each financial year through examining the financial position of the related party and market in which the related party operates.

**(viii) There are no Commitments with Related parties**

For GMJ & CO
Chartered Accountants
F.R.No. 103429W

GMJ & CO. MUMBAI FRN NO. 103429W CHARTERED ACCOUNTANTS

S. Maheshwari
Partner
M.No.: 038755
Place : MUMBAI
Date : 06th May, 2019

For and on behalf of the Board

LOCUZ ENTERPRISE SOLUTIONS LTD.

Vijay Kumar Wadhi
Managing Director
DIN: 00087657

Uttam K Majumdar
Wholetime Director
DIN: 00087668