Illustration (India) Limited

Ind AS Illustrative financial statements for the year ended 31 March 2021

Based on Indian Accounting Standards notified under the *Companies (Indian Accounting Standards) Rules, 2015 (as amended)* and Division II of the Schedule III to the Companies Act 2013 applicable for the financial year ending 31 March 2021

**Background**

This chapter contains an illustrative set of consolidated financial statements for Illustration (India) Limited (the company) and its subsidiaries (collectively, the Group) as of and for the year ended 31 March 2021 prepared in accordance with Indian Accounting Standards (Ind-AS) notified under *the Companies (Indian Accounting Standards) Rules, 2015 (as amended).* In addition to Ind-AS, Division II of Schedule III to the Companies Act, 2013 *(as amended)* (hereinafter referred to as ‘Ind AS compliant Schedule III’ or ‘Schedule III’) also deals with the format for presentation of Ind AS financial statements. Key requirements of the Ind AS compliant Schedule III as applicable to CFS have also been considered in preparing these illustrative financial statements.

The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property.

The accompanying set of financial statements is meant only for illustrative purposes and based on a fictitious group. When applied to another group, some disclosures may not be relevant and additional disclosures may be required. This illustration should not be relied upon as a substitute for either detailed professional advice concerning specific individual situations or for reference to the relevant standards.

This set of illustrative financial statements is updated for key Ind AS pronouncements till 31 October 2020 (including Ind AS 115 *Revenue from contracts with customers,* Ind AS 116 *Leases* andamendment to Ind AS compliant Schedule III, amendment to Companies Act & Rules). The following key assumptions are used in the preparation of illustrative financial statements:

* The group had adopted Ind AS from the financial years beginning 1 April 2016 (transition date 1 April 2015). The group is not the first-time adopter of Ind AS.
* The illustrative financial statements contain only those disclosures that are considered relevant from consolidated financial statements (CFS) perspective. Specific attention is drawn to the General instructions for preparation of financial statements contained in the Ind AS compliant Schedule III. The General Instructions state that “where any Act or Regulation requires specific disclosures to be made in the standalone financial statements of a company, the said disclosures will be made in addition to those required under the Schedule.”

The language used suggests that companies have an option of not giving legal/ regulatory disclosures in CFS, if they are not relevant to present true and fair view of CFS. Based on this argument, illustrative financial statements do not include statutory disclosures such as disclosures required under the MSMED Act.

* The CFS are prepared for a group principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property. Hence, the same may not be entirely suitable for a group engaged in construction or oil exploratory activities, etc.
* The group has opted to round off its financial information to the nearest lakhs in accordance with Ind AS compliant Schedule III.

**General instructions for preparation of financial statements contained in the Ind AS compliant Schedule III require the following:**

* Every company to which Ind AS apply will prepare its financial statements in accordance with Ind AS compliant Schedule III or with such modification as may be required under certain circumstances.
* Where compliance with the requirements of the Companies Act, 2013 including Ind AS as applicable to the companies requires any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/ sub-head or any changes *inter se*, in the financial statements or statements forming part thereof, the same will be made and the requirements of the Schedule will stand modified accordingly.
* The disclosure requirements specified in the Schedule are in addition to and not in substitution of the disclosure requirements specified in the Ind AS. Additional disclosures specified in the Ind AS will be made in the notes or by way of additional statement(s) unless required to be disclosed on the face of the financial statements. Similarly, all other disclosures as required by the Companies Act, 2013 will be made in the notes in addition to the requirements set out in the Schedule.
* Notes will contain information in addition to that presented in the financial statements and will provide where required (a) narrative descriptions or disaggregation of items recognized in those statements, and (b) information about items that do not qualify for recognition in those statements.
* Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss will be cross-referenced to any related information in the notes. In preparing the financial statements including the notes, a balance will be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.
* Depending upon the turnover of the company, the figures appearing in the financial statements shall be rounded off as below:

|  |  |
| --- | --- |
| **Turnover** | **Rounding off** |
| Less than one hundred crore rupees | To the nearest hundreds, thousands, lakhs or millions, or decimals thereof. |
| One hundred crore rupees or more | To the nearest, lakhs, millions or crores, or decimals thereof. |

Once a unit of measurement is used, it should be used uniformly in the financial statements. Rounding off is mandatory under Ind AS compliant schedule III financial statements

* Financials statements will contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the financial statements including notes except in the case of first financial statements laid before the company after incorporation.
* Financial statements will disclose all ‘material’ items, i.e., the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the item judged in the particular circumstances.
* For the purpose of the Schedule, the terms used herein will have same meanings assigned to them in Ind AS.
* Where any Act or Regulation requires specific disclosures to be made in the standalone financial statements of a company, the said disclosures will be made in addition to those required under the Schedule.

Note: The Schedule sets out the minimum requirements for disclosure on the face of the financial statements, i.e., Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period and notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirements of the relevant Ind AS.

Line items, sub-line items and sub-totals will be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company’s financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act, 2013 or under the Ind AS.

**General instructions for the preparation of Consolidated Financial Statements**

* Where a company is required to prepare Consolidated Financial Statements (CFS), i.e., consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the company will *mutatis mutandis* follow the requirements of the Schedule as applicable to a company in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. In addition, the consolidated financial statements will disclose the information as per the requirements specified in the applicable Ind AS, including the following:

1. Profit or loss attributable to ‘non-controlling interest’ and to ‘owners of the parent’ in the statement of profit and loss will be presented as allocation for the period. Further, ‘total comprehensive income’ for the period attributable to ‘non-controlling interest’ and to ‘owners of the parent’ will be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for ‘total comprehensive income’ will also be made in the statement of changes in equity. In addition to the disclosure requirements in the Ind AS, the aforesaid disclosures will also be made in respect of ‘other comprehensive income’.
2. In the Balance Sheet and the Statement of Changes in Equity, ‘Non-controlling interests’ will be presented within equity and separately from the equity of the ‘owners of the parent’.
3. Investments accounted for using the equity method.

* In the consolidated financial statements, a company will disclose additional information such as net assets, share in profit or loss, share in other comprehensive income and share in total comprehensive income, separately for the parent, each subsidiary, associate and joint venture, etc. Disclosures to comply with this requirement are given in note 53.
* All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.
* An entity will disclose a list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.

**Accounting policy choices**

Accounting policies are broadly defined in Ind AS 8 and include not just the explicit elections provided for in some standards, but also other conventions and practices that are adopted in applying principle-based standards.

In some cases, Ind AS permit more than one accounting treatment for a transaction or event. Preparers of financial statements should select the treatment that is most relevant to their business and circumstances as their accounting policy.

Ind AS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an Ind AS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policies should only be made if required by a standard or appendices, or if the change results in the financial statements providing reliable and more relevant information.

**CARO 2020**

The Companies (Auditor’s Report) Order, 2020 (CARO 2020) [applicable for the financial years commencing on or after April 1, 2020] has been notified by the Ministry of Corporate Affairs (MCA) on 25 February 2020 in supersession of CARO 2016 which significantly enhanced disclosures by the auditors in their statutory audit report which in turn resulted in  enhanced reporting in financial statements. Some of the new requirements are related to the disclosures related to  undisclosed income, i.e., details of any transactions not recorded in the books of account but  surrendered/ disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, and if such unrecorded income has been recorded in the books of account during the year; details of benami property where the proceedings initiated or pending against the company for holding any benami property etc. The entity should ensure that the requisite information is appropriately included in its financial statements, if applicable.

**The Code on Social Security, 2020** aims to amend and consolidate the laws relating to social security with the goal to extend social security to all employees and workers either in the organised or unorganised or any other sectors. The entity should ensure the impact is appropriately included in its financial statements, if applicable.

**Contents**

Consolidated Balance Sheet

Consolidated Statement of Profit and Loss

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements

1. Corporate information

2. Significant accounting policies

2.1 Basis of preparation

2.2 Basis of consolidation

2.3 Summary of significant accounting policies

2.4 Changes in accounting policies and disclosures

3. Property, plant and equipment

4. Investment properties

5. Intangible assets

6. Impairment testing of goodwill and intangible assets with indefinite lives

7. Financial assets

8. Inventories

9. Trade receivables

10. Cash and cash equivalents

11. Share Capital

12. Other equity

13. Distributions made and proposed

14. Borrowings

15. Other financial liabilities

16. Provisions

17. Government grants

18. Contract liability

19. Income tax

20. A. Trade payable

20. B. Other payable

21. Discontinued operations

22. Revenue from contract with customers

23. Other income

24. Finance income

25. Cost of raw material and components consumed

26 Employee benefits expense

27. Depreciation and amortization expense

28. Other expenses

29. Finance costs

30. Exceptional items

31. Research and development costs

32. Components of other comprehensive income (OCI)

33. Earnings per share (EPS)

34. Significant accounting judgements, estimates and assumptions

35. Group information

36. Business combinations and acquisition of non-controlling interests

37. Material partly owned subsidiaries

38. Interest in joint venture

39. Investment in associate

40. Gratuity and other post-employment benefit plans

41. Share-based payments

42. Leases

43. Commitments and contingencies

44. Related party transactions

45. Segment information

46. Hedging activities and derivatives

47. Fair values

48. Fair value hierarchy

49. Financial risk management objectives and policies

50. Capital management

51. Events after the reporting period

52. Standards issued but not yet effective

53. Statutory Group Information

|  |  |  | As at  31 March  2021 | As at  31 March  2020 |
| --- | --- | --- | --- | --- |
|  | Notes |  | INR Lacs | INR Lacs |
|  |  |  |  |  |
| **ASSETS** |  |  |  |  |
| Non-current assets |  |  |  |  |
| Property, plant and equipment | 3 |  | 51,262 | 43,792 |
| Capital work in progress | 3 |  | 8,100 | - |
| Investment properties | 4 |  | 16,007 | 14,369 |
| Goodwill | 5 |  | 4,106 | 450 |
| Other Intangible assets | 5 |  | 4,970 | 3,278 |
| Right-of-use assets | 42 |  | 5,234 | 4,918 |
| Intangible assets under development | 5 |  | 1,759 | 702 |
| Equity accounted investments (Investments in associates and joint ventures) | 38,39 |  | 5,737 | 4,529 |
| Financial assets | 7 |  |  |  |
| Investments |  |  | 3,577 | 3,236 |
| Loans |  |  | 4,198 | 1,828 |
| Other financial assets (derivative instruments) |  |  | 992 | - |
| Deferred tax assets (net) | 19 |  | 689 | 657 |
|  |  |  | **1,06,631** | **77,759** |
| **Current assets** |  |  |  |  |
| Inventories | 8 |  | 38,497 | 39,834 |
| Right of return assets | 50 |  | 2,052 | 2,160 |
| Contract Assets | 50 |  | 2,646 | 2,785 |
| Financial assets |  |  |  |  |
| Trade receivables | 9 |  | 44,464 | 38,235 |
| Cash and cash equivalents | 10 |  | 29,590 | 26,414 |
| Loans | 7 |  | 2,799 | 1,219 |
| Other financial assets (derivative instruments) | 7 |  | 992 | 275 |
| Current tax asset (net) |  |  | 120 | 110 |
| Other current assets (prepayments) |  |  | 342 | 204 |
|  |  |  | **1,21,502** | **1,11,236** |
| Assets held for sale | 21 |  | 24,397 | - |
|  |  |  | 1,45,899 | **1,11,236** |
| **TOTAL ASSETS** |  |  | **2,52,530** | **1,88,995** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | As at  31 March  2021 | As at  31 March  2020 |
|  | Notes |  | INR Lacs | INR Lacs |
| EQUITY AND LIABILITIES |  |  |  |  |
| **Equity** |  |  |  |  |
| Equity share capital | 11 |  | 39,398 | 34,898 |
| Other equity |  |  |  |  |
| Equity component of convertible preference shares | 11 |  | 410 | 410 |
| Securities premium | 12 |  | 8,408 | - |
| Treasury shares | 12 |  | (914) | (1,177) |
| Retained earnings |  |  | 58,148 | 46,897 |
| Other reserves | 12 |  | 2,493 | 2,476 |
| Reserves of a disposal group classified as held for sale | 21 |  | 83 | - |
| **Equity attributable to equity holders of the parent** |  |  | **1,08,026** | **83,504** |
| Non-controlling interests |  |  | 4,338 | 1,329 |
| **Total equity** |  |  | **1,12,364** | **84,833** |
| **Non-current liabilities** |  |  |  |  |
| Financial liabilities |  |  |  |  |
| Borrowings | 14 |  | 34,994 | 37,368 |
| Lease liabilities | 42 |  | 4,871 | 4,595 |
| Other financial liabilities | 15 |  | 1,451 | - |
| Provisions | 16 |  | 3,510 | 139 |
| Government grants | 17 |  | 5,940 | 2,520 |
| Contract liability | 18 |  | 1,888 | 1,839 |
| Net employee defined benefit liabilities | 40 |  | 5,490 | 5,359 |
| Deferred tax liabilities (net) | 19 |  | 5,276 | 1,960 |
| Other non-current liabilities |  |  | 514 | 1,326 |
|  |  |  | **63,934** | **55,106** |
| Current liabilities |  |  |  |  |
| Financial liabilities |  |  |  |  |
| Borrowings | 14 |  | 1,739 | 4,770 |
| Lease liabilities | 42 |  | 819 | 753 |
| Trade payables | 20A |  |  |  |
| Total outstanding dues of micro enterprises and small enterprises |  |  | 42 | 12 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises |  |  | 27,824 | 30,156 |
| Other payables | 20B |  | 3,377 | 3,173 |
| Other financial liabilities | 15 |  | 8,012 | 678 |
| Refund liability | 50 |  | 2,304 | 2,425 |
| Contract liability | 18 |  | 272 | 229 |
| Government grants | 17 |  | 268 | 272 |
| Provisions | 16 |  | 1,530 | 175 |
| Liabilities for current taxes (net) |  |  | 6,420 | 6,413 |
|  |  |  | **52,607** | **49,056** |
| Liabilities directly associated with the assets held for sale | 21 |  | 23,625 | - |
|  |  |  | **76,232** | **49,056** |
| **Total liabilities** |  |  | **1,40,166** | **1,04,162** |
| **TOTAL EQUITY AND LIABILITIES** |  |  | **2,52,530** | **1,88,995** |

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| **Authors’ Note**  Section 134(1) of the Companies Act, 2013 requires that the financial statements, including consolidated financial statements, if any, should be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one should be managing director and the Chief Executive Officer, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed.  Ind AS compliant Schedule III requires other equity (including retained earnings) to be disclosed separately on the face of Balance Sheet, without further split into realized and unrealized gains and losses. A company will identify distributable portion of retained earnings in accordance with the requirements of the Companies Act, 2013.  Ind AS compliant Schedule III allows line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company’s financial position or performance or to cater to industry/sector-specific disclosure requirements. Accordingly, the group has elected to present various components of other equity, prepayments, contract asset, contract liability, refund liability and right of return assets separately on the face of the balance sheet.  Ind AS 105.38 requires an entity to present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. It also requires that the liabilities of a disposal group classified as held for sale should be presented separately from other liabilities in the balance sheet. Those assets and liabilities will not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale will be separately disclosed either in the balance sheet or in the notes. Paragraph 54 of Ind AS 1 also requires these assets and liabilities to be presented separately on the face of the balance sheet. The group has accordingly presented assets and liabilities held for sale separately on the face of balance sheet. Major classes of those assets and liabilities are disclosed in note 21.  Ind AS 1 requires an entity to present a balance sheet at the beginning of the earliest comparative period when: it applies an accounting policy retrospectively; it makes a retrospective restatement of items in its financial statements; or when it reclassifies items in its financial statements (Ind AS 1.10(f)), and the change has a material effect on the balance sheet. In these situations, Ind AS 1.40A states that an entity must present, at a minimum, three balance sheets, two of each of the other statements and the related notes. The three balance sheets include the balance sheet as at the current annual period year end, the balance sheet as at the previous annual period year end, and the balance sheet as at the beginning of the previous annual period (’the opening balance sheet’, often referred to as the ‘third balance sheet’).  The Group presented ‘contract assets’ and ‘contract liabilities’ in the balance sheet using the terminology from Ind AS 115. Ind AS 115.109 allows an entity to use alternative descriptions. However, it must disclose sufficient information so that users of the financial statements can clearly distinguish between unconditional rights to receive consideration (receivables) and conditional rights to receive consideration (contract assets).  Ind AS 115.B25 requires an entity to present the refund liabilities separately from the corresponding asset (on a gross basis, rather than a net basis). The Group presented ‘right of return assets’ and ‘refund liabilities’ separately in the balance sheet.  Ind AS 116.47 requires a lessee to either present in the balance sheet, or disclose in the notes, the right-of-use assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present right-of-use assets separately in the balance sheet, the lessee is required to include right-of-use assets within the same line item that the corresponding underlying assets would be presented if they were owned (e.g., under property, plant and equipment) and it is required to disclose which line items in the balance sheet include those right-of-use assets. Similarly, if the lessee does not present lease liabilities separately in the balance sheet, the lessee is required to disclose the line items in the balance sheet which include those liabilities. The Group presented its ‘Right-of-use assets’ and related ‘lease liabilities’ separately in the balance sheet.  Under Ind AS 116.48, right-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property. The Group does not have right-of-use assets that meet the definition of investment property. |

|  |  | | 31 March 2021 | | 31 March 2020 | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Notes | | INR Lacs | | INR Lacs | |
| CONTINUING OPERATIONS |  | |  | |  | |
| Revenue from contract with customers | 22 | | 3,22,304 | | 2,85,925 | |
| Rental income | 4 | | 2,527 | | 2,478 | |
| **Revenue from operations** |  | | **3,24,831** | | **2,88,403** | |
| Other income | 23 | | 4,383 | | 4,586 | |
| Finance income | 24 | | 605 | | 380 | |
| **Total Income** |  | | **3,29,819** | | **2,93,369** | |
|  |  | |  | |  | |
| **EXPENSES** |  | |  | |  | |
| Cost of raw material consumed | 25 | | 1,51,191 | | 1,47,280 | |
| Purchase of traded goods | 25 | | 73,215 | | 38,758 | |
| (Increase)/ decrease in inventories of finished goods, work-in-progress and traded goods |  | | 2,037 | | (1,940) | |
| Employee benefits expense | 26 | | 59,879 | | 79,026 | |
| Depreciation and amortization expense | 27 | | 8,392 | | 7,141 | |
| Impairment of non-current assets | 3, 5 | | 360 | | 542 | |
| Finance costs | 29 | | 2,523 | | 2,281 | |
| Other expenses | 28 | | 11,292 | | 6,780 | |
| **Total expense** |  | | **3,08,889** | | **2,79,868** | |
|  |  | |  | |  | |
| **Profit/(loss) before share of (profit)/loss from investment in associate and a joint venture, exceptional items and tax from continuing operations** |  | | 20,930 | | 13,501 | |
| Share of (profit)/loss of an associate and a joint venture | 38, 39 | | (1,208) | | (1,148) | |
| **Profit/(loss)** **before exceptional items and tax from continuing operations** |  | | **22,138** | | **14,649** | |
| Exceptional items | **30** | | 2,142 | | **-** | |
| **Profit/(loss)** **before tax from continuing operations** |  | | **19,996** | | **14,649** | |
| (1) Current tax | 19 | | 5,288 | | 4,658 | |
| (2) Adjustment of tax relating to earlier periods | 19 | | (32) | | (79) | |
| (3) Deferred tax | 19 | | 421 | | (560) | |
| Income tax expense | 19 | | 5,677 | | 4,019 | |
| **Profit for the year from continuing operations** |  | | **14,319** | | **10,630** | |
|  |  | |  | |  | |
| DISCONTINUED OPERATIONS |  | |  | |  | |
|  |  | |  | |  | |
| Profit/(loss) before tax for the year from discontinued operations | 21 | | 383 | | (347) | |
| Tax Income/ (expense) of discontinued operations |  | | 13 | | 9 | |
| **Profit/(loss) from discontinued operations** |  | | **396** | | **(338)** | |
|  |  | |  | |  | |
| Profit/(loss) for the year |  | | **14,715** | | **10,292** | |
|  |  | |  | |  | |
| **OTHER COMPREHENSIVE INCOME** |  | |  | |  | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** |  | |  | |  | |
| Net gain on hedge of a net investment | 32 | | 500 | | - | |
| Income tax effect |  | | (149) | | - | |
|  |  | | 351 | | - | |
|  |  | |  | |  | |
| Exchange differences on translation of foreign operations | 32 | | (443) | | (211) | |
| Income tax effect |  | | - | | - | |
|  |  | | **(443)** | | **(211)** | |
|  |  | |  | |  | |
| Net movement on Effective portion of cash flow hedges | 32 | | (1,589) | | 59 | |
| Income tax effect |  | | 477 | | (16) | |
|  |  | | **(1,112)** | | **43** | |
|  |  | |  | |  | |  |  |
| Net movement on cost of cash flow hedges | 32 | | (57) | | - | |
| Income tax effect |  | | 17 | | - | |
|  |  | | **(40)** | | **-** | |
|  |  | |  | |  | |  |  |
| Share of other comprehensive loss of an associate | 32 | | (308) | | - | |  |  |
| Income tax effect |  | | 92 | | - | |  |  |
|  |  | | **(216)** | | **-** | |  |  |
|  |  | |  | |  | |
|  |  | |  | |  | |
| Net (loss)/gain on FVTOCI debt securities | 32 | | (86) | | 5 | |
| Income tax effect |  | | 27 | | (2) | |
|  |  | | **(59)** | | **3** | |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** |  | | **(1,519)** | | **(165)** | |
|  |  | |  | |  | |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods:** |  | |  | |  | |
|  |  | |  | |  | |
| Re-measurement gains (losses) on defined benefit plans | 40 | | 664 | | (700) | |
| Income tax effect |  | | (202) | | 209 | |
|  |  | | **462** | | **(491)** | |
|  |  | |  | |  | |
| Revaluation of land and buildings | 3 | | 1,523 | | - | |
| Income tax effect |  | | (457) | | - | |
|  |  | | **1,066** | | **-** | |
|  |  | |  | |  | |
| Share of other comprehensive income of an associate | 32 | | **308** | | - | |
| Income tax effect |  | | **(92)** | | - | |
|  |  | | **216** | | - | |
|  |  | |  | |  | |
|  |  | |  | |  | |
| Net (loss)/gain on FVTOCI equity Securities | 32 | | (18) | | - | |
| Income tax effect |  | | 5 | | - | |
|  |  | | **(13)** | | **-** | |
|  |  | |  | |  | |
| **Net other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | **1,731** | | **(491)** | |
|  | |  | |  | |
| **Other comprehensive income for the year, net of tax** | | **212** | | **(656)** | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **14,927** | | **9,636** | |
|  |  |  | |  | |
| **Profit/(loss) for the year** |  | **14,715** | | **10,292** | |
| **Attributable to:** |  |  | |  | |
| Equity holders of the parent |  | 14,195 | | 9,862 | |
| Non-controlling interests |  | 520 | | 430 | |
|  |  | **14,715** | | **10,292** | |
|  |  |  | |  | |
| **Total comprehensive income for the year** |  | **14,927** | | **9,636** | |
| **Attributable to:** |  |  | |  | |
| Equity holders of the parent |  | 14,407 | | 9,206 | |
| Non-controlling interests |  | 520 | | 430 | |
|  |  | **14,927** | | **9,636** | |
|  |  |  | |  | |
| Earnings per share for continuing operations | 33 |  | |  | |
| * Basic, profit from continuing operations attributable to equity holders of the parent |  | INR 0.37 | | INR 0.28 | |
| * Diluted, profit from continuing operations attributable to equity holders of the parent |  | INR 0.38 | | INR 0.29 | |
|  |  |  | |  | |
| Earnings per share for discontinued operations | 33 |  | |  | |
| * Basic, profit from discontinuing operations attributable to equity holders of the parent |  | INR0.01 | | (INR0.01) | |
| * Diluted, profit from discontinuing operations attributable to equity holders of the parent |  | INR0.01 | | (INR0.01) | |
|  |  |  | |  | |
| Earnings per share from continuing and discontinued operations | 33 |  | |  | |
| * Basic, profit for the year attributable to equity holders of the parent |  | INR 0.38 | | INR 0.27 | |
| * Diluted, profit for the year attributable to equity holders of the parent |  | INR 0.39 | | INR 0.28 | |
|  |  |  | |  | |

|  |
| --- |
| Authors’ note  Ind-AS 1 requires disclosure of total revenue as a separate line item on the face of the statement of profit and loss (P&L). The Group also presents revenue from contract with customers separately on the face of P&L as per para 113 of Ind AS 115.  Ind AS 1.82A requires that items of OCI which will be reclassified subsequently to profit or loss, when specific conditions are met, must be grouped separately on the face of the statement of profit and loss under other comprehensive income. Similarly, items that will not be reclassified must also be grouped together. In order to make these disclosures, an entity must analyse whether its OCI items are eligible to be subsequently reclassified to profit or loss under Ind AS.  Under the requirement in Ind AS 1.82A, entities must present the share of the OCI items of equity method investees (i.e. associates and joint ventures), in aggregate as single line items within the ’to be reclassified’ and the ‘not to be reclassified’ groups. The Group’s associate and joint venture do not have OCI items and as such, these disclosures do not apply.  Different components of other comprehensive income (OCI) are presented on a net basis in the statement above. Therefore, an additional note is required to present the amount of reclassification adjustments and current year gains or losses. Alternatively, the individual components could have been presented within the above statement.  In the case of OCI, the Group has elected to present the income tax effects gross on an individual basis and, therefore, no additional note disclosure is required.  In accordance with the requirement of Ind AS compliant Schedule III, re-measurement gains and losses on defined benefit plans are recognised in OCI and transferred immediately to retained earnings.  Ind AS 33.68 requires presentation of basic and diluted earnings per share for discontinued operations either on the face of the statement of profit and loss or in the notes to the financial statements. The Group has elected to show this information on the face of the statement of profit and loss.  Ind AS compliant Schedule III allows line items, sub-line items and sub-totals to be presented as an addition or substitution on the face of the financial statements when such presentation is relevant to an understanding of the company’s financial position or performance or to cater to industry/sector-specific disclosure requirements. Considering this, the Guidance note of Ind AS Schedule III allows presentation of EBITDA as a separate line item on the face of the statement of profit and loss. If an entity elects to present EBIDTA as separate line item, the company should for better understanding disclose policy for measurement. Also, the method of computation adopted by the entity should be followed consistently. The group has not elected to present EBITDA as separately line item on the face of statement of profit and loss.  Ind AS 116.49 requires a lessee to present in the statement of profit and loss, the interest expense on lease liabilities separately from the depreciation charge for the right-of-use asset. The interest expense on the lease liabilities is a component of finance costs, which Ind AS 1.82(b) requires to be presented separately in the statement of profit and loss. Consistent with this requirement, the Group presented interest expense on lease liabilities under ‘finance costs’ and the depreciation charge on the right-of-use asset under ‘depreciation and amortisation expenses’ |

1. **Equity Share Capital:**

|  |  |  |
| --- | --- | --- |
| Equity shares of INR 1 each issued, subscribed and fully paid | No. in lacs | INR lacs |
| **At 1 April 2019** | **34,898** | **34,898** |
| **At 31 March 2020** | **34,898** | **34,898** |
| Issue of share capital (Note 11) | 4,500 | 4,500 |
| At 31 March 2021 | **39,398** | **39,398** |

1. **Other Equity**

**For the year ended 31 March 2021**

|  | **Attributable to the equity holders of the parent** | | | | | | | | | | | | | | | **Non-controlling interests** | **Total equity** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Equity Component of convertible preference shares**  **(Note 11)** | **Securities premium (Note 12)** | **Treasury shares (Note 12)** | **SBP reserves (Note 12)** | **Debenture redemption reserve**  **(Note 12)** | **Capital reserve**  **(Note 12)** | **Retained earning** | **Effective portion of cash flow hedge**  **(Note 12)** | **Cost of cash flow hedges**  **(Note 12)** | **Equity**  **instruments**  **through**  **Other**  **Comprehensive Income**  **(Note 12)** | **Debt**  **instruments**  **through**  **Other**  **Comprehensive Income (Note 12)** | **Exchange differences on translating the financial statements of a foreign operation**  **(Note 12)** | **Revaluation reserve**  **(Note 12)** | **Discontinued operations**  **(Note 21)** | **Total** |
|  | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** |
| **As at 1 April 2020** | 410 | - | (1,177) | 1,051 | 1,520 | 238 | 46,897 | (126) | - | - | 4 | (211) | **-** | **-** | 48,606 | 1,329 | 49,934 |
| Profit for the period |  | - | - | - | - | - | 14,195 | - | - | - | - | - | - | - | 14,195 | 520 | 14,715 |
| Other comprehensive income (Note 24) |  | - | - | - | - | - | 462 | (1,112) | (40) | (13) | (59) | (92) | 1,066 | - | 212 | - | 212 |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **14,657** | **(1,112)** | **(40)** | **(13)** | **(59)** | **(92)** | **1,066** | **-** | **14,407** | **520** | **14,927** |
| Depreciation transfer for buildings (note 3) | - | - | - | - | - | - | 144 | - | - | - | - | - | (144) | - | - | - | - |
| Discontinued operations (Note 21) | - | - | - | - | - | - | - | - | - | - | (83) | - | - | 83 | - | - | - |
| Issue of share capital (Note 11) | - | 8,466 | - | - | - | - | - | - | - | - | - | - | - | - | 8,466 | - | 8,466 |
| Exercise of share options (Note 12) | - |  | 263 | (128) | - | 180 | - | - | - | - | - | - | - | - | 315 | - | 315 |
| Share-based payments (Note 41) | - | - | - | 553 | - | - | - | - | - | - | - | - | - | - | 553 | - | 553 |
| Transaction costs (Note 36) | - | (58) | - | - | - | - | - | - | - | - | - | - | - | - | (58) | - | (58) |
| Dividend (Note 13) | - | - | - | - | - | - | (3,550) | - | - | - | - | - | - | - | (3,550) | (54) | (3,604) |
| Transfer of cash flow hedge reserve to inventories | - | - | - | - | - | - | - | 227 | 4 | - | - | - | - | - | 231 | - | 231 |
| Acquisition of a subsidiary (Note 36) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,785 | 2,785 |
| Acquisition of non-controlling interests (Note 36) | - | - | - | - | - | (342) | - | - | - | - | - | - | - | - | (342) | (243) | (585) |
| **At 31 March 2021** | **410** | **8,408** | **(914)** | **1,476** | **1,520** | **76** | **58,148** | **(1,012)** | **(36)** | **(13)** | **(138)** | **(303)** | **922** | **83** | **68,628** | **4,338** | **72,964** |

**For the year ended 31 March 2020**

|  | **Attributable to the equity holders of the parent** | | | | | | | | | | | **Non-controlling interests** | **Total equity** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Equity Component of convertible preference shares**  **(Note 11)** | **Securities premium (Note 12)** | **Treasury shares (Note 12)** | **SBP reserves (Note 12)** | **Debenture redemption reserve**  **(Note 12)** | **Capital reserve**  **(Note 12)** | **Retained earnings** | **Effective portion of cash flow hedge**  **(Note 12)** | **Debt**  **instruments**  **through**  **Other**  **Comprehensive Income (Note 12)** | **Exchange differences on translating the financial statements of a foreign operation**  **(Note 12)** | **Total** |  |  |
|  | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** | **INR lacs** |
| **As at 1 April 2019** | **410** | **-** | **(1,393)** | **609** | **1,520** | **-** | **40,406** | **(169)** | **-** | **-** | **41,383** | **371** | **41,754** |
| Profit for the period | - | - | - | - | - | - | 9,862 | - | - | - | 9,862 | 430 | 10,292 |
| Other comprehensive income (Note 24) | - | - | - | - | - | - | (491) | 43 | 3 | (211) | (655) | - | (656) |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **9,371** | **43** | **3** | **(211)** | **9,207** | **430** | **9,636** |
| Exercise of share options (Note 12) | - | - | 216 | (94) | - | 238 |  | - | - | - | 360 | - | 360 |
| Share-based payments (Note 41) | - | - | - | 536 | - | - | - | - | - | - | 536 | - | 536 |
| Dividend including dividend distribution tax (Note 13) | - | - | - | - | - | - | (2,880) | - | - | - | (2,880) | (88) | (2,968) |
| Acquisition of non-controlling interests (Note 36) | - | - | - | - | - | - | - | - | - | - | - | 616 | 616 |
| **At 31 March 2020** | **410** | **-** | **(1,177)** | **1,051** | **1,520** | **238** | **46,897** | **(126)** | **3** | **(211)** | **48,606** | **1,329** | **49,934** |

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| --- |
| **Authors’ notes**  For equity-settled share-based payment transactions, Ind AS 102 *Share-based Payment* requires entities to recognise an increase in equity when goods or services are received. However, Ind AS 102 does not specify where in equity this should be recognised. The Group has chosen to recognise the credit in Share Based Payment (SBP) reserves. The Group provided treasury shares to employees exercising share options and elected to recognise the excess of cash received over the acquisition cost of those treasury shares in the capital reserve.  The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with Ind AS 110. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent in transactions where the non-controlling interests are acquired or sold without loss of control. The Group has elected to recognise this effect in the capital reserve. With respect to the subsidiary to which these non-controlling interests relate, there were no accumulated components recognised in OCI. If there had been such components, those would have been reallocated within equity of the parent (e.g., Exchange differences on translating the financial statements of a foreign operation or FVTOCI reserve).  Ind-AS 105 requires items recognised in OCI related to a discontinued operation to be separately disclosed. The Group presents this effect in the statement of changes in equity above. However, presentation of such items within discontinued operations does not change the nature of the reserve. Generally, reclassification to profit or loss will only occur if and when required by Ind AS.  Ind AS 109.B5.7.1 states that accumulated gains and losses recognised in OCI for equity financial assets must not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity. The Group may transfer accumulated gain on its equity financial assets from OCI to retained earnings upon derecognition of the financial asset. |

|  |  | | 31 March 2021 | | 31 March 2020 | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | | INR lacs | | INR lacs | | |
| **Operating activities** |  | |  | |  | | |
| Profit before tax from continuing operations |  | | **19,996** | | **14,649** | | |
| Profit/(loss) before tax from discontinued operations | 21 | | 383 | | (347) | | |
| **Profit before tax** |  | | **20,379** | | **14,302** | | |
| *Adjustments to reconcile profit before tax to net cash flows:* |  | |  | |  | | |
| Depreciation and impairment of property, plant  and equipment and right-of-use assets | 3, 42 | | 7,814 | | 6,829 | | |
| Amortisation and impairment of intangible assets | 5 | | 585 | | 313 | | |
| Depreciation of investment properties | 4 | | 551 | | 540 | | |
| Contribution of property, plant and equipment by customers | 3 | | (342) | | (270) | | |
| Share-based payment expense | 41 | | 742 | | 886 | | |
| Net foreign exchange differences |  | | (656) | | (434) | | |
| Gain on disposal of property, plant and equipment | 23 | | (958) | | (3,612) | | |
| Fair value adjustment of a contingent consideration | 36 | | 644 | | - | | |
| Impairment on financial instrument and contract asset |  | | 37 | | 11 | | |
| Finance income (including fair value change in financial instruments) |  | | (2,135) | | (380) | | |
| Finance costs (including fair value change in financial instruments) |  | | 4,975 | | 2,017 | | |
| Share of profit of an associate and a joint venture | 38, 39 | | (1,207) | | (1,149) | | |
| *Working capital adjustments:* |  | |  | |  | | |
| Movements in provisions, gratuity and  government grants |  | | (1,318) | | 364 | | |
| Increase in trade and other receivables and prepayments |  | | (16,724) | | (3,143) | | |
| Decrease in inventories, Right of return assets and others |  | | 7,407 | | 4,070 | | |
| (Increase)/Decrease in Contract Assets |  | | 247 | | (824) | | |
| Increase/(Decrease) in Contract liability |  | | (29) | | 1,053 | | |
| Increase in trade and other payables |  | | 7,154 | | 7,414 | | |
|  |  | | 27,166 | | 27,987 | | |
| Income tax paid |  | | (5,636) | | (5,760) | | |
| **Net cash flows from operating activities** |  | | **21,530** | | **22,227** | | |
| **Investing activities** |  | |  | |  | | |
| Proceeds from sale of property, plant and equipment |  | | 3,583 | | 4,173 | | |
| Purchase of property, plant and equipment |  | | (18,292) | | (13,810) | | |
| Purchase of investment properties | 4 | | (2,190) | | (2,145) | | |
| Purchase of financial instruments |  | | (5,497) | | (405) | | |
| Proceeds from sale of financial instruments |  | | - | | 261 | | |
| Interest received | 24 | | 605 | | 380 | | |
| Intangible asset under development | 5 | | (1,057) | | (702) | | |
| Acquisition of a subsidiary, net of cash acquired | 36 | | (724) | | (2,610) | | |
| Receipt of government grants | 17 | | 5,311 | | 1,156 | | |
| **Net cash flows from investing activities** |  | | **(18,261)** | | **(13,702)** | | |
|  |  | |  | |  | | |
| **Financing activities** |  | |  | |  | | |
| Proceeds from exercise of share options |  | | 315 | | 360 | | |
| Acquisition of non-controlling interests | 36 | | (585) | | - | | |
| Transaction costs on issue of shares | 36 | | (58) | | - | | |
| Payment of principal portion of lease liabilities (Note 10) |  | | (731) | | (614) | | |
| Interest Paid (Note 10) |  | | (871) | | (1,847) | | |
| Proceeds from borrowings (Note 10) |  | | 10,039 | | 4,761 | | |
| Repayment of borrowings (Note 10) |  | | (220) | | (3,031) | | |
| Dividends paid to equity holders of the parent | 13 | | (3,550) | | (2,591) | | |
| Dividends paid to non-controlling interests |  | | (54) | | (88) | | |
| Dividend distribution tax | 13 | | - | | (289) | | |
| **Net cash flows from/ (used in) financing activities** |  | | **4,285** | | **(3,339)** | | |
| Net increase in cash and cash equivalents |  | | 7,555 | | 5,186 | | |
| Net foreign exchange difference |  | | 981 | | 587 | | |
| Cash and cash equivalents at the beginning of the year | 10 | | 21,644 | | 15,871 | | |
| **Cash and cash equivalents at year end** | 10 | | **30,180** | | **21,644** | | |
|  |  | |  | |  | | |
| **Key non-cash investing transaction** | |  | |  | |  |
| Acquisition of Extinguishers Limited by issue of equity shares and incurrence of contingent consideration liability | | 36 | | 14,251 | | - |

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| **Authors’ note**  The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable under Ind-AS 7.  Certain working capital adjustments and other adjustments included in the statement of cash flow, reflect the change in balances between 31 March 2021 and 31 March 2020 including the 31 March 2021 balances of the discontinued operations grouped in line-items ‘assets classified as held for sale’ and ‘liabilities directly associated with the assets classified as held for sale’.  Ind AS 7.43 requires an entity to exclude non-cash transaction relating to investing and financing activities from the statement of cash flows. However, such transactions are disclosed elsewhere in the financial statements. The Group has disclosed the same in a footnote to the cash flow statement. Ind AS 116.50 requires that in the statement of cash flows, a lessee classifies: cash payments for the principal and interest portion of the lease liability within financing activities; and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities Non-cash activity (e.g., the initial recognition of the lease at commencement) is required to be disclosed as a supplemental non-cash item in accordance with Ind AS 7.43 (see Note 42). |

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| 1. Corporate information   The consolidated financial statements comprise financial statements of Illustration (India) Limited (the company) and its subsidiaries (collectively, the Group) for the year ended 31 March 2021. The company is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. Its shares are listed on two recognised stock exchanges in India. The registered office of the company is located at Illustration House, 49 Cross Roads, Mumbai. |
| The Group is principally engaged in the provision of fire prevention and electronics equipment and services and the management of investment property (see Note 45). Information on the Group’s structure is provided in Note 35. Information on other related party relationships of the Group is provided in Note 44. |
| The consolidated financial statements were approved for issue in accordance with a resolution of the directors on 25 May 2021. |
| 1. Significant accounting policies   **Authors’ note**  The identification of an entity’s significant accounting policies is an important aspect of the financial statements. Ind AS 1.117 requires the significant accounting policies disclosures to summarise the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. The significant accounting policies disclosed in this note are meant to illustrate some of the more commonly applicable disclosures. However, it is essential that entities consider their specific circumstances when determining which accounting policies are significant and relevant to be included.  **Covid-19 commentary**  *Background*  Covid‑19, an infectious disease caused by a new virus, was declared a world‑wide pandemic by the WHO on 11 March 2020.The measures to slow the spread of Covid‑19 have had a significant impact on the global economy.  Entities need to consider the impact of Covid‑19 in preparing their financial statements. While the specific areas of judgement may not change, the impact of Covid‑19 resulted in the application of further judgement within those areas.  Given the evolving nature of Covid‑19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of entities’ assets and liabilities may arise in the future.  Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health ministries, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature. 2.1 Basis of preparation The consolidated financial statements (CFS) of the Group have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the *Companies (Indian Accounting Standards) Rules, 2015 (as amended)* andpresentation requirements of Division II of Schedule III to the Companies Act, 2013, (Ind AS compliant Schedule III), as applicable to the CFS. |
| The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value:   * Land and buildings classified as property, plant and equipment * Derivative financial instruments, * Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments), * Contingent consideration, and * Dividend payable |
| In addition, the carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in INR and all values are rounded to the nearest lacs (INR 00,000), except when otherwise indicated.  **Covid-19 commentary**  *Going Concern*  Given the unpredictability of the potential impact of the outbreak, there may be material uncertainties that cast doubt on the entity’s ability to operate as a going concern. Ind AS 1.25 requires management, when preparing financial statements, to assess an entity’s ability to continue as a going concern, and whether the going concern assumption is appropriate. In assessing whether the going concern assumption is appropriate, the standard requires an entity to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. When an entity is aware, in making its going concern assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, it must disclose those uncertainties.  Entities will need to disclose the significant judgements made in the assessment of the existence of a material uncertainty This will be particularly relevant should the financial statements be prepared on another basis than the going concern basis.  When making that assessment, management takes into consideration the existing and anticipated effects of the outbreak on the entity’s activities. Management should consider all available information about the future that was obtained after the reporting date, up until the date of which the financial statements are issued in their assessment of going concern. This includes, but is not limited to, measures taken by governments and banks to provide relief to affected entities. These disclosures are equally as important, if not even more so, in situations when the going concern assumption is still applied but there is some doubt as to situations when the going concern assumption is not applied.  Considerations that an entity might disclose to address its going concern basis include:  • Whether the entity has sufficient cash and / or headroom in its credit facilities to support any downturn whilst noting that the evolving nature of the Covid-19 pandemic means that uncertainties will remain, and it may not be able to reasonably estimate the future impact  • Actions the entity has taken to mitigate the risk that the going concern assumption is not appropriate such as activities to preserve liquidity  • Consideration of the entity’s business model and related risks  • Any challenges of the underlying data and assumptions used to make the going concern assessment |

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional balance sheet at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

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| --- |
| 2.2 Basis of consolidation The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:   * Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee) * Exposure, or rights, to variable returns from its involvement with the investee, and * The ability to use its power over the investee to affect its returns |
| Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:   1. The contractual arrangement with the other vote holders of the investee 2. Rights arising from other contractual arrangements 3. The Group’s voting rights and potential voting rights 4. The size of the group’s holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders   The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.  Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member’s financial statements in preparing the consolidated financial statements to ensure conformity with the group’s accounting policies.  The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.  In preparing the consolidated financial statements, the group has used the following key consolidation procedures:   * Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of assets and liabilities recognised in the consolidated financial statements at the acquisition date. * Offset (eliminate) the carrying amount of the parent’s investment in each subsidiary and the parent’s portion of equity of each subsidiary. Business combinations policy explains accounting for any related goodwill. * Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group. Profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full. However, intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 *Income Taxes* applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.   Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. |
| A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:   * Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost * Derecognises the carrying amount of any non-controlling interests * Derecognises the cumulative translation differences recorded in equity * Recognises the fair value of the consideration received * Recognises the fair value of any investment retained * Recognises any surplus or deficit in profit or loss * Recognise that distribution of shares of subsidiary to Group in Group’s capacity as owners * Reclassifies the parent’s share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities |
| **2.3 Summary of significant accounting policies** Business combinations and goodwill |
| Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.  The Group determines that it has acquired a business when the acquired set of activities and assets include  an input and a substantive process that together significantly contribute to the ability to create outputs.  The acquired process is considered substantive if it is critical to the ability to continue producing outputs,  and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience  to perform that process or it significantly contributes to the ability to continue producing outputs and is  considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to  continue producing outputs. |
| At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised/ measured at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, the following assets and liabilities acquired in a business combination are measured at the basis indicated below:   * Deferred tax assets or liabilities and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 *Income Tax* and Ind AS 19 *Employee Benefits,* respectively. * Potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are accounted in accordance with Ind AS 12. * Liabilities or equity instruments related to share based payment arrangements of the acquiree or share-based payments arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with Ind AS 102 *Share-based Payment,* at the acquisition date. * Assets (or disposal groups) that are classified as held for sale in accordance with Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard. * Reacquired rights are measured at a value determined on the basis of the remaining contractual term of the related contract. Such valuation does not consider potential renewal of the reacquired right.   When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. |
| If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.  Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 *Financial Instruments*, is measured at fair value with changes in fair value recognised either in profit or loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity. |
| Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI. |
| After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.  A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. |
| Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.  If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date. |
| Investment in associates and joint ventures An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.  A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.  The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries. |
| The Group’s investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually. |
| The statement of profit and loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.  If an entity’s share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture (which includes any long term interest that, in substance, form part of the Group’s net investment in the associate or joint venture), the entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. |
| The aggregate of the Group’s share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit and loss.  The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. |
| After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as ‘Share of profit of an associate and a joint venture’ in the statement of profit and loss.  Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss |
| **Authors’ note**  The Group does not have an interest in joint operations. If the Group had an interest in a joint operation, it would recognise in relation to its interest in a joint operation its:   * Assets, including its share of any assets held jointly * Liabilities, including its share of any liabilities incurred jointly * Revenue from the sale of its share of the output arising from the joint operation * Share of the revenue from the sale of the output by the joint operation * Expenses, including its share of any expenses incurred jointly |
| Current versus non-current classification The Group presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset 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 reporting period   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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.  The Group 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 group has identified twelve months as its operating cycle. |
| Foreign currencies The Group’s consolidated financial statements are presented in INR, which is also the parent company’s functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method. |

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| i) Transactions and balances  Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the group uses an average rate if the average approximates the actual rate at the date of the transaction.  Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.  Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.  Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively). |
| **Authors’ note**  Under Indian GAAP, AS 11 The Effects of changes in Foreign Exchange Rates gives two options with regard to accounting for exchange differences arising on long-term foreign currency monetary items. The first option is that an entity recognizes exchange differences as income or expense in profit or loss in the period in which they arise. However, paragraph 46A of AS 11 also provides companies an option whereby companies can choose to defer/ capitalize exchange differences arising on long-term foreign currency monetary items. The option once selected is irrevocable and needs to be applied to all long-term foreign currency monetary items. A long-term foreign currency monetary item is an item having a term of 12 months or more at the date of its origination.  If under Indian GAAP, a company had opted to defer/ capitalize exchange differences arising on long-term foreign currency monetary items in accordance with paragraph 46A of AS 11, then Ind AS 101 gives an option whereby a first time adopter can continue its Indian GAAP policy for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the Indian GAAP financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period. It should be noted that this is an option. In other words, a first-time adopter is free to use Ind AS 21 accounting even for exchange differences arising on translation of long-term foreign currency monetary items for the period ending immediately before the beginning of the first Ind AS financial reporting period. However, the deferral/ amortization policy is not allowed for any new long-term foreign currency monetary item recognized from the first Ind AS financial reporting period.  The group has not applied paragraph 46A of AS 11 under Indian GAAP. Consequently, it does not have the option of using deferral/ capitalization policy under Ind AS. In case the group defers/ capitalise exchange difference as per transition provision under Ind AS 101 then the said fact should be disclosed in policy. |
| In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.  ii) Group companies  On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.  Any goodwill arising on the acquisition of a foreign operation subsequent to Ind AS transition date 1 April 2015 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.  Prior to 1 April 2015, the date of transition to Ind AS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.  Gain or loss on a subsequent disposal of any foreign operation excludes translation differences that arose before the date of transition but includes only translation differences arising after the transition date. |
| Fair value measurement The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: |
| * In the principal market for the asset or liability, or * In the absence of a principal market, in the most advantageous market for the asset or liability   The principal or the most advantageous market must be accessible by the Group.  The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. |
| A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.  The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. |
| All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:   * Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities * Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable * Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |
| For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.  The Group’s Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for sale in discontinued operations. The Valuation Committee comprises of the head of the investment properties segment, heads of the Group’s internal mergers and acquisitions team, the head of the risk management department, financial controllers and chief finance officer. |
| External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the Valuation Committee after discussion with and approval by the Company’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Valuation Committee decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case. |
| At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group’s accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. |
| The Valuation Committee, in conjunction with the Group’s external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. |
| On an interim basis, the Valuation Committee and the Group’s external valuers present the valuation results to the Audit Committee and the Group’s independent auditors. This includes a discussion of the major assumptions used in the valuations. |
| For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.  This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.   * Disclosures for valuation methods, significant estimates and assumptions (note 34, 47, 49) * Contingent consideration (note 36) * Quantitative disclosures of fair value measurement hierarchy (note 48) * Investment in unquoted equity shares (discontinued operations) (note 21) * Property, plant and equipment under revaluation model (note 3) * Investment properties (note 4) * Financial instruments (including those carried at amortised cost) (note 7, 14, 15, 20, 46, 47, 48, 49) |
| **Authors’ note**  The Group has not elected to apply the portfolio exception under Ind AS 113.48. If an entity makes an accounting policy decision to use the exception, this fact is required to be disclosed, as per Ind AS 113.96. |
| Revenue from contracts with customers The Group is in the business of providing fire prevention and electronics equipment and installation services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.  The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 34.  **Sale of equipment**  Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.  The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).  **(i) Variable consideration**  If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.  **• Rights of return**  Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in Ind AS 115 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.  **• Volume rebates**  The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.  **Authors’ note**  The Group recognised refund liabilities for the goods expected to be returned and the expected volume rebates. While the most common form of refund liabilities may be related to sales with a right of return, the refund liability requirements also apply if an entity expects to have to provide retrospective price reductions to a customer.  Entities must assess whether volume rebates are to be accounted for as variable consideration or as customer options to acquire additional goods or services at a discount. Generally, if a volume rebate is applied prospectively, the rebate would be accounted for as a customer option. Entities will need to evaluate whether the volume rebate or discount provides the customer with an option to purchase goods or services in the future at a discount that represents a material right (and is, therefore, accounted for as a performance obligation). However, a volume rebate that is applied retrospectively is accounted for as variable consideration, because the final price of each good or service sold depends upon the customer’s total purchases that are subject to the rebate programme.  Entities need to determine whether a refund liability should be characterised as a contract liability based on the specific facts and circumstances of the arrangement. A refund liability will not typically meet the definition of a contract liability. When an entity does conclude that a refund liability is not a contract liability, it would present the refund liability separate from any contract liability (or asset) and it would not be subject to the disclosure requirements in Ind AS 115.116-118. The Group has determined that its refund liabilities are not contract liabilities.  **(ii) Significant financing component**  Generally, the Group receives short-term advances from its customers. Using the practical expedient in Ind AS 115, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.  The Group also receives long-term advances from customers for the sale of customised fire prevention equipment. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.  **(iii) Non-cash consideration**  The Group received moulds and other tools from certain customers to be used in manufacturing fire prevention equipment to be sold to them. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the equipment.  The Group applies the requirements of Ind AS 113 Fair Value Measurement in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the fire prevention equipment.  **Author’s Note**  Ind AS 115.48 requires that an entity considers the effects of all of the following in determining the transaction price:  • Variable consideration  • Constraining estimates of variable consideration  • The existence of a significant financing component in the contract  • Non-cash consideration  • Consideration payable to a customer  The Group did not incur any consideration payable to a customer. Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity (IND AS 115.70). Entities need to include this in their accounting policy disclosures if significant.  **Warranty obligations**  The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section w) Provisions.  The Group provides a one-year warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment. Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.  **Author’s Note**  If the customer has the option to purchase the warranty separately or if the warranty provides a service to the customer, beyond fixing defects that existed at the time of sale, Ind AS 115.B29 states that the entity is providing a service-type warranty that is a separate performance obligation. Otherwise, it is an assurance-type warranty, which provides the customer with assurance that the product complies with agreed-upon specifications. In some cases, it may be difficult to determine whether a warranty provides a customer with a service in addition to the assurance that the delivered product is as specified in the contract. To help entities make that assessment, Ind AS 115.B31-33 provides relevant application guidance.  **Loyalty points programme**  The Group has a loyalty points programme, GoodPoints, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.  When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.  **Installation services**  The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the fire prevention equipment.  Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.  The Group recognises revenue from installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of the fire prevention equipment are recognised at a point in time, generally upon delivery of the equipment.  **Procurement services**  The Group has contracts with customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. The Group is acting as an agent in these arrangements.  When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group’s role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.  **Contract balances**  **Contract assets**  A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.  **Trade receivables**  A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (t) Financial instruments – initial recognition and subsequent measurement.  **Contract liabilities**  A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.  **Assets and liabilities arising from rights of return**  **Right of return assets**  Right of return asset represents the Group’s right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.  **Refund liabilities**  A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.   |  |  | | --- | --- | | **Cost to obtain a contract** |  | | The Group pays sales commission to its employees for each contract that they obtain for bundled sales of equipment and installation services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less. | |   **Author’s Note**  Ind AS 115 requires incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognised as an asset if certain criteria are met. Any capitalised contract costs assets must be amortised on a systematic basis that is consistent with the entity’s transfer of the related goods or services to the customer.  The Group applied the practical expedient to immediately expense contract acquisition costs when the asset that would have resulted from capitalising such costs would have been amortised within one year or less. The Group does not incur any costs to obtain a contract and costs to fulfil a contract that are eligible for capitalisation.  Entities with costs to obtain a contract and costs to fulfil a contract recognised as an asset will need to consider the requirement in Ind AS 115.128 to separately disclose the closing balances and the amount of amortisation and impairment losses recognised during the period. However, Ind AS 115 is silent on the classification of that asset and the related amortisation. In the absence of a standard that specifically deals with classification and presentation of contract costs, entities will need to apply the requirements in Ind AS 8 to select an appropriate accounting policy. In developing such an accounting policy, costs to obtain a contract and costs to fulfil a contract need to be considered separately for the purpose of presentation in the financial statements.  Considering the nature of costs to obtain a contract and the lack of guidance in Ind AS, an entity may choose to present these costs as either:  • A separate class of intangible assets in the balance sheet and its amortisation in the same line item as amortisation of intangible assets within the scope of Ind AS 38 Intangible Assets  Or  • A separate class of asset (similar in nature to work in progress or ‘inventory’) in the balance sheet and its amortisation within cost of goods sold, changes in contract costs or similar  In addition, entities need to consider the requirements in Ind AS 7 Statement of Cash Flows, in particular Ind AS 7.16(a), when determining the classification of cash flows arising from costs to obtain a contract, i.e., either as cash flow from operating activities or investing activities.  In contrast, the nature of costs to fulfil a contract is such that they directly impact the entity’s performance under the contract. Therefore, costs to fulfil a contract should be presented as a separate class of asset in the statement of balance sheet and its amortisation within cost of goods sold, changes in contract costs or similar.  Regardless whether costs to fulfil a contract meet the criteria for capitalisation in Ind AS 115.95 or are expensed as incurred, the presentation of such costs in the statement of profit and loss and the presentation of related cash flows in the statement of cash flows needs to be consistent.  Capitalised contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognised in profit or loss, but the standard is silent on where to present such amounts within the primary financial statements. It would be appropriate for the presentation of any impairment losses to be consistent with the presentation of the amortisation expense. |
| Government grants Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. |
| When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities. |
| **Author’s Note**  Ind AS 20.24 permits two alternative ways of presenting a government grant relating to assets. The Group has elected to present the grant in the balance sheet as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset. Alternatively, it may choose to reduce the carrying amount of the asset. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge. Whichever method is applied, no further disclosures are required.  The Group has chosen to present grants related to an expense item as other operating income in the statement of profit and loss. Alternatively, Ind AS 20.29 permits grants related to income to be deducted in reporting the related expense.  Ind AS 20.23 permits grant of a non-monetary asset to be accounted for in two alternative ways. The asset and the grant can be accounted for using a nominal amount. Alternatively, the asset and the grant can be accounted for at the fair value of the non-monetary asset. The Group accounts for grants of non-monetary assets at nominal value. |

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| Taxes Current income tax  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 Group operates and generates taxable income. |
| Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss. 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. |
| Deferred tax  Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.  Deferred tax liabilities are recognised for all taxable temporary differences, except:   * When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss * In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future |
| Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:   * When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss * In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.   The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. |
| Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.  Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.  Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. |
| Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefits are recognised in OCI/ capital reserve depending on the principle explained for bargain purchase gains. All other acquired tax benefits realised are recognised in profit or loss. |
| Sales/ value added taxes paid on acquisition of assets or on incurring expenses  Expenses and assets are recognised net of the amount of sales/ value added tax, except:   * When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable * When receivables and payables are stated with the amount of tax included   The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. |
| **Author’s Note**  Any entity in the group does not have any MAT liability. Also, they are not entitled to any tax holiday scheme. Companies covered under MAT scenario and/ or Tax holidays may disclose applicable policy on following lines:  **Policy on MAT:**  “Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the concerned company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.”  **Accounting policy when the entities operates under tax holiday scheme:**  “In the situations where one or more entities in the group are entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where they operate, no deferred tax (asset or liability) is recognized in respect of temporary differences which reverse during the tax holiday period, to the extent the concerned entity’s gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of temporary differences which reverse after the tax holiday period is recognized in the year in which the temporary differences originate. However, the group restricts recognition of deferred tax assets to the extent it is probable that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the temporary differences which originate first are considered to reverse first.” |
| Non-current assets held for sale and discontinued operations The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.  For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance. The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups), its sale is highly probable; and it will genuinely be sold, not abandoned. The group treats sale of the asset or disposal group to be highly probable when:   * The appropriate level of management is committed to a plan to sell the asset (or disposal group), * An active programme to locate a buyer and complete the plan has been initiated (if applicable), * The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value, * The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, and * Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.   Non-current assets held for sale to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.  Property, plant and equipment and intangible assets once classified as held for sale to owners are not depreciated or amortised.  A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:   * Represents a separate major line of business or geographical area of operations, * Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or * Is a subsidiary acquired exclusively with a view to rale   Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.  Additional disclosures are provided in Note 21. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned. |
| Property, plant and equipment Capital work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 16 and 34 regarding provisions and significant accounting judgements, estimates and assumptions for further information about the recorded decommissioning provision. |
| Contributions by customers of items of property, plant and equipment (such as moulds), which require an obligation to supply goods to the customer in the future, are recognised at the fair value when the group has control of the item. A corresponding credit to contract liability is made. The Group may agree to deliver one or more services in exchange for the transferred item of property, plant and equipment, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both. The Group identifies the separately identifiable performance obligation included in the agreement.   * If only one performance obligation is identified, the Group recognises revenue when the service is performed. * If an ongoing service is identified as part of the agreement, the period over which revenue is recognised for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue is recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service. * If more than one separately identifiable performance obligation is identified, the fair value of the total consideration received or receivable for the agreement will be allocated to each service and the recognition criteria of Ind AS 115 are then applied to each service. |
| Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. |
| A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit and loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. |
| An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.  Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:   * Buildings 15 to 20 years * Plant and equipment 5 to 15 years |
| The group, based on technical assessment made by technical expert and management estimate, depreciates the certain items of building, plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. |
| An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with Ind AS 115 criteria. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised. |
| The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.  **Authors’ Note**  Ind AS 16 and Schedule II to the Companies Act require the management to estimate the useful lives and residual value of items of property, plant and equipment. If estimated useful lives of these items are different from the lives indicated in Schedule II or the estimated residual value is more than 5%, companies need to carry out technical evaluation to assess the useful lives of its assets and maintain adequate details about its technical assessment of useful lives of the assets. Schedule II requires that if a company adopts a useful life/ residual value different from that specified in Schedule II, the financial statements should disclose such difference and provide justification in this behalf duly supported by technical advice.  If an entity adopts the first time exemption to treat previous GAAP carrying amount deemed cost in accordance with paragraph D7AA of Ind AS 101 on transition in earlier years then the entity should disclose the following until such time that those items of PPE, are significantly depreciated, impaired or derecognised from the entity’s Balance Sheet. Since the group has not used previous GAAP values as deemed cost, the said disclosure is not given for PPE in the financial statements.    **Authors’ Note**  On disposal of property, plant and equipment:  • The date of disposal of the asset is the date the recipient obtains control of the asset in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115 (Ind AS 16.69).  • The amount of consideration to be included in the gain or loss arising from the derecognition is determined in accordance with the requirements for determining the transaction price in Ind AS115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in transaction price in Ind AS 115 (Ind AS 16.72).  The above requirements also apply to disposals of investment properties (Ind AS 40.67 and Ind AS 40.70) and intangible assets (Ind AS 38.114 and Ind AS 38.116). |
| Investment properties Since there is no change in the functional currency, the group has elected to continue with the carrying value for all of its investment property as recognised in its Indian GAAP financial statements as deemed cost at the transition date, viz., 1 April 2015. |
| Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any. |
| The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred. |
| The group depreciates building component of investment property over 30 years from the date of original purchase.  The group, based on technical assessment made by technical expert and management estimate, depreciates the building over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. |
| Though the group measures investment property using cost-based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. |
| Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The date of disposal for investment property is the date the recipient obtains control of the investment property in accordance with Ind AS 115 criteria. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.  Transfers are made to (or from) investment property only when there is a change in use. |
| Intangible assets Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. |
| The useful lives of intangible assets are assessed as either finite or indefinite.  Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss. |
| Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. |
| Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised. The date of disposal of an intangible asset is the date that the recipient obtains control of that asset in accordance with Ind AS 115 criteria. |
| Research and development costs  Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:   * The technical feasibility of completing the intangible asset so that the asset will be available for use or sale * Its intention to complete and its ability and intention to use or sell the asset * How the asset will generate future economic benefits * The availability of resources to complete the asset * The ability to measure reliably the expenditure during development |
| Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss.  During the period of development, the asset is tested for impairment annually. |
| Patents and licences  The Group made upfront payments to purchase patents and licences. The patents have been granted for a period of 10 years by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between 5 and 10 years depending on the specific licences. The licences may be renewed at little or no cost to the Group. As a result, those licences are assessed as having an indefinite useful life.  A summary of the policies applied to the Group’s intangible assets is, as follows:   |  |  |  |  | | --- | --- | --- | --- | | **Intangible assets** | **Useful lives** | **Amortisation method used** | **Internally generated or acquired** | | Licences | Indefinite | No amortisation | Acquired | | Patents | Finite (10 years) | Amortised on a straight-line basis over the period of the patent | Acquired | | Development costs | Finite (10 to 15 years) | Amortised on a straight-line basis over the period of expected future sales from the related project | Internally generated |  Borrowing costs Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.  Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. |
| Leases The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.  **Group as a lessee**  The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.  **i) Right-of-use assets**  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:  • Plant and machinery 3 to 15 years  • Motor vehicles and other equipments 3 to 5 years  If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.  The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (p) Impairment of non-financial assets.  **Author’s Note**  Under Ind AS 116, the cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period (Ind AS 116. 24(d)). The Group’s lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition  **ii) Lease Liability**  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.  In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.  The Group’s lease liabilities are included in Interest-bearing loans and borrowings (see Note 15).  iii) Short-term leases and leases of low-value assets  The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. |
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| Group as a lessor  Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. |
| Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. |
| 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:   * Raw materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis. * Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs. Cost is determined on first in, first out basis. * Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.   Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.  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. |
| Impairment of non-financial assets The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. |
| In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. |
| The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Group extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used. |
| Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss section of the statement of profit and loss, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.  For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.  Goodwill is tested for impairment annually as at 31 October and when circumstances indicate that the carrying value may be impaired.  Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.  Intangible assets with indefinite useful lives are tested for impairment annually as at 31 October at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired. |
| **Authors’ note**  Under Ind AS 116.33, right-of-use assets are subject to the impairment requirements of Ind AS 36 Impairment of Assets.  Ind AS 36 permits the annual impairment test for a CGU to which goodwill has been allocated to be performed at any time during the year, provided it is at the same time each year. Different CGUs and intangible assets may be tested at different times. |
| Provisions ***General***  Provisions are recognised when the Group 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 Group 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.  If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. |
| |  | | --- | | **Warranty provisions** | | The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. | |
| Restructuring provisions  Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan’s main features. |
| Decommissioning liability  The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire-retardant materials. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit and loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.  ***Onerous contracts***  If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.  An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.  Author’s note  Ind AS 37 provides a choice of presenting expenditures to settle a provision either net of any reimbursement or on a gross basis. The Group has elected to present the expenses net of reimbursements.  Ind AS 115 contains no specific requirements to address contracts with customers that are, or have become, onerous. The requirements of Ind AS 37 apply to the identification and measurement of onerous customer contracts (Ind AS 37.5(g)) |
| Contingent liabilities recognised in a business combination  A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition. |
| Retirement and other employee benefits Retirement benefit in the form of provident fund is a defined contribution scheme. The group has no obligation, other than the contribution payable to the provident fund. The group recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.  The Group operates a defined benefit gratuity plan in India, which requires contributions to be made to a separately administered fund. The Group also provides certain additional post employment healthcare benefits to employees in the United States. These benefits are unfunded. |
| The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. |
| Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. |
| Past service costs are recognised in profit or loss on the earlier of:   * The date of the plan amendment or curtailment, and * The date that the Group recognises related restructuring costs. |
| Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:   * Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and * Net interest expense or income |
| Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The group recognizes expected cost of short-term employee benefit as an expense, when an employee renders the related service  The group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. |
| Authors’ note  Entities are required to state their policy for termination benefits, employee benefit reimbursements and benefit risk sharing. Since these are not applicable to the Group, the disclosures related to such benefits have not been made. Entities need to assess the nature of their employee benefits and make the relevant disclosures. |
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| Share-based payments Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions). |
| Equity-settled transactions  The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. |
| That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.  Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. |
| No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. |
| When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss. |
| The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. |
| Cash-settled transactions  The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in Note 41. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense. |
| 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. |
| ***Financial assets***  *Initial recognition and measurement*  Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.  The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under Ind AS 115. Refer to the accounting policies in section (f) Revenue from contracts with customers.  In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.  The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.  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 Group commits to purchase or sell the asset. |
| *Subsequent measurement*  For purposes of subsequent measurement, financial assets are classified in four categories:   * Debt instruments at amortised cost * Debt instruments at fair value through other comprehensive income (FVTOCI) * Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL) * Equity instruments measured at fair value through other comprehensive income (FVTOCI) |
| *Debt instruments at amortised cost*  A ‘debt instrument’ is measured at the amortised cost if both the following conditions are met:   1. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and 2. 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.   This category is the most relevant to the Group. 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 finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9. |
| *Debt instrument at FVTOCI*  A ‘debt instrument’ is classified as at the FVTOCI if both of the following criteria are met:   1. The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and 2. 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 group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. |
| *Debt instrument at FVTPL*  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 group 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 group has not designated any debt instrument as at FVTPL.  Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L. |
| *Equity investments*  All equity investments 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 AS103 applies are classified as at FVTPL. For all other equity instruments, the group **may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value**. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.  If the group 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 P&L, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.  Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L. |
| ***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 Group’s consolidated balance sheet) when:   * The rights to receive cash flows from the asset have expired, or * The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.   When the group 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 group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the group 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 Group 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 group could be required to repay. |
| ***Impairment of financial assets***  Further disclosures relating to impairment of financial assets are also provided in the following notes:  ► Disclosures for significant assumptions – see Note 34  ► Debt instruments at fair value through OCI – see Note 7  ► Trade receivables, including contract assets – see Note 9  The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.  ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).  For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.  **Author’s note**  An entity is required to apply the simplified approach for trade receivables or contract assets that do not contain a significant financing component, or when the entity applies the practical expedient for contracts that have a maturity of one year or less. However, an entity has a policy choice to apply either the simplified approach or the general approach for the following:   * All trade receivables or contract assets that contain a significant financing component in accordance with Ind AS 115. The policy choice may be applied separately to trade receivables and contract assets. * All lease receivables that result from transactions that are within the scope of Ind AS 116. The policy choice may be applied separately to finance and operating lease receivables.   For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.  The Group’s debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.  **Author’s note**  Ind AS 109 contains an important simplification that, if a financial instrument has a low credit risk, then an entity is allowed to assume at the reporting date that no significant increases in credit risk have occurred. The low credit risk concept was intended to provide entities relief from tracking changes in the credit risk of high-quality financial instruments. This simplification is optional, and the low credit risk simplification can be elected on an instrument-by-instrument basis.  The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. |
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| **Financial liabilities**  *Initial recognition and measurement*  Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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 Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments. |
| *Subsequent measurement*  The measurement of financial liabilities depends on their classification, as described below:  *Financial liabilities at fair value through profit or loss*  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by Ind-AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.  Gains or losses on liabilities held for trading are recognised in the profit or loss.  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind-AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the group 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 or loss. The group has not designated any financial liability as at fair value through profit or loss. |
| *Loans and borrowings*  This is the category most relevant to the group. After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or 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.  This category generally applies to borrowings. For more information refer Note 14. |
| ***Financial guarantee contracts***  Financial guarantee contracts issued by the group 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. |
| ***Embedded derivatives***  An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.  If the hybrid contract contains a host that is a financial asset within the scope Ind-AS 109, the group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss. |
| ***Reclassification of financial assets***  The group 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 group’s senior management determines change in the business model as a result of external or internal changes which are significant to the group’s operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group 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 group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.  The following table shows various reclassifications and how they are accounted for |

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| **Original classification** | **Revised classification** | **Accounting treatment** |
| Amortised cost | FVTPL | Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L. |
| FVTPL | Amortised Cost | Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount. |
| Amortised cost | FVTOCI | Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification. |
| FVTOCI | Amortised cost | Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost. |
| FVTPL | FVTOCI | Fair value at reclassification date becomes its new carrying amount. No other adjustment is required. |
| FVTOCI | FVTPL | Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date. |

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| **Offsetting of financial instruments**  Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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. |
| Derivative financial instruments and hedge accounting ***Initial recognition and subsequent measurement***  The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.  The purchase contracts that meet the definition of a derivative under Ind-AS 109 are recognised in the statement of profit and loss. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group’s expected purchase, sale or usage requirements are held at cost. |
| Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.  For the purpose of hedge accounting, hedges are classified as:   * Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment * Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment * Hedges of a net investment in a foreign operation |
| At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the group’s risk management objective and strategy for undertaking hedge, the hedging/ economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.  Hedges that meet the strict criteria for hedge accounting are accounted for, as described below: |
| ***Fair value hedges***  The change in the fair value of a hedging instrument is recognised in the statement of profit and loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit and loss as finance costs.  For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.  If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.  The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its 8.25% fixed rate secured loan. See Note 45 for more details. |
| ***Cash flow hedges***  The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the Effective portion of cash flow hedges, while any ineffective portion is recognised immediately in the statement of profit and loss.  The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other income or expenses. Refer to Note 46 for more details.  The Group designates only the spot element of a forward contract as a hedging instrument. The forward element is recognised in OCI.  Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.  If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met. |
| ***Hedges of a net investment***  Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit and loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit and loss.  The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 46 for more details. |
| Convertible preference shares Convertible preference shares are separated into liability and equity components based on the terms of the contract.  On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.  Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. |
| Treasury shares The group has created an Employee Benefit Trust (EBT) for providing share-based payment to its employees. The group uses EBT as a vehicle for distributing shares to employees under the employee remuneration schemes. The EBT buys shares of the company from the market, for giving shares to employees. The group treats EBT as its extension and shares held by EBT are treated as treasury shares.  Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings. Share options exercised during the reporting period are satisfied with treasury shares. |
| Cash and cash equivalents Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.  For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management. |
| Dividend The company recognises a liability to make dividend to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. |
| Earnings per share |
| Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary equity holder of parent company (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split that have changed the number of equity shares outstanding, without a corresponding change in resources.  For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders of the parent company and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. |

2.4 Changes in accounting policies and disclosures

**New and amended standards**

**Amendments to Ind AS 116: Covid-19-Related Rent Concessions.**

The amendments to Ind AS 116 provides a practical expedient to lessees in accounting for rent concessions that are a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

1. The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
2. Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
3. There is no substantive change to other terms and conditions of the lease.

No practical expedient is available for lessors.

The lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

The amendments are applicable for annual reporting periods beginning on or after the 1 April 2020. In case, a lessee has not yet approved the financial statements for issue before the issuance of this amendment, then the same may be applied for annual reporting periods beginning on or after the 1 April 2019. The Group will not be affected by these amendments on the date of transition as there are no rent concessions provided for from the lessor.

**Amendments to Ind AS 103 *Business Combinations***

The amendments to the definition of a business in Ind AS 103 help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 April 2020 and to asset acquisitions that occur on or after the beginning of that period. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

**Amendments to Ind AS 1 and Ind AS 8: Definition of Material**

The amendments to Ind AS 1 *Presentation of Financial Statements* and Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* align the definition of ‘material’ across the standards and clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments are applicable prospectively for annual periods beginning on or after the 1 April 2020. The amendments to the definition of material are not expected to have a significant impact on the Group’s consolidated financial statements.

**Amendments to Ind AS 107 and Ind AS 109: Interest Rate Benchmark Reform**

The amendments to Ind AS 109 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments to Ind AS 107 prescribe the disclosures which entities are required to make for hedging relationships to which the reliefs as per the amendments in Ind AS 109 are applied. These amendments are applicable for annual periods beginning on or after the 1 April 2020. These amendments are not expected to have a significant impact on the Group’s consolidated financial statements.

1. Property, plant and equipment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Freehold land and buildings | Plant and equipment | Capital  work in progress | Total |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| **Cost or valuation** |  |  |  |  |
| At 1 April 2019 | 13,909 | 41,683 | - | 55,591 |
| Additions | 2,857 | 11,156 | - | 14,013 |
| Acquisition of a subsidiary (Note 36) | 2,304 | - | - | 2,304 |
| Disposals | (578) | (88) | - | (666) |
| Exchange differences | 18 | 47 | - | 65 |
| **At 31 March 2020** | **18,509** | **52,798** | **-** | **71,307** |
| Additions | 2,902 | 8,267 | 8,100 | 19,269 |
| Acquisition of a subsidiary (Note 36) | 5,215 | 7,461 | - | 12,676 |
| Disposals | - | (8,834) | - | (8,834) |
| Discontinued operations (Note 13) | (5,245) | (7,164) | - | (12,409) |
| Revaluation recognised in OCI | 1,523 | - | - | 1,523 |
| Transfer\* | (184) | - | - | (184) |
| Exchange differences | 54 | 142 | - | 196 |
| **At 31 March 2021** | **22,774** | **52,670** | **8,100** | **83,543** |
| **Depreciation and impairment** |  |  |  |  |
| At 1 April 2019 | - | 21,499 | - | 21,499 |
| Depreciation charge for the year | 637 | 4,910 | - | 5,548 |
| Impairment (Note 17) | - | 542 | - | 542 |
| Disposals | (16) | (88) | - | (104) |
| Exchange differences | 9 | 22 | - | 31 |
| **At 31 March 2020** | **630** | **26,885** | **-** | **27,515** |
| Depreciation charge for the year\*\* | 900 | 5,935 | - | 6,835 |
| Disposals | - | (6,210) | - | (6,210) |
| Discontinued operations | (95) | (3,769) | - | (3,864) |
| Transfer\* | (184) | - | - | (184) |
| Exchange differences | 36 | 53 | - | 89 |
| **At 31 March 2021** | **1,287** | **22,894** | **-** | **24,181** |
|  |  |  |  |  |
| **Net book value** |  |  |  |  |
| At 31 March 2021 | 21,487 | 29,776 | 8,100 | 59,362 |
| At 31 March 2020 | 17,879 | 25,913 | - | 43,792 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Net book value** |  | **31 March 2021** | **31 March 2020** |
|  |  | **INR Lacs** | **INR Lacs** |
| Plant Property and Equipment |  | 51,262 | 43,792 |
| Capital work in progress |  | 8,100 | - |

|  |
| --- |
| \* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.  \*\* Depreciation for the year excludes an impairment loss of INR 198 related to discontinued operations (see Note 21).  In year ending on 31 March 2020, the impairment loss of INR 542 represented the write-down of certain property, plant and equipment in the fire prevention segment to the recoverable amount as a result of technological obsolescence. This was recognised in the statement of profit and loss. The recoverable amount of INR 10,222 as at 31 March 2020 was based on value in use and was determined at the level of the CGU. The CGU consisted of the India-based assets of Sprinklers Limited, a subsidiary. In determining value in use for the CGU, the cash flows were discounted at a rate of 12.4% on a pre-tax basis. |
| **Capitalised borrowing costs**  The Group started the construction of a new fire safety facility in May 2020. This project is expected to be completed in May 2021. The carrying amount of the fire safety facility at 31 March 2021 was INR 65 (31 March 2020: Nil). The fire safety facility is financed by a third party in a common arrangement.  The amount of borrowing costs capitalised during the year ended 31 March 2021 was INR 545 (31 March 2020: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 11%, which is the effective interest rate of the specific borrowing.  No borrowing costs are capitalised on other items of PPE under construction  **Assets under construction**  Besides fire safety facility, capital work in progress as at 31 March 2021 comprises expenditure for the plant in the course of construction. Total amount of CWIP is INR 8,100 (31 March 2020: Nil).  Land and buildings  Land and buildings with a carrying amount of INR 13,320 (31 March 2020: INR 90) are subject to a first charge to secure two of the Group’s bank loans. |
| Plant and equipment contributed by customers  The Group recognises as plant and equipment any contribution made by its customers to be utilised in the production process and that meets the definition of an asset. The initial gross amount is estimated at fair value by reference to the market price of these assets on the date in which control is obtained. |
| The amount that the Group has recognised as plant and equipment and revenue during 31 March 2021 was INR 342 (31 March 2020: INR 270). |
| **Revaluation of land and buildings**  The revalued land and buildings consist of office properties in India. The management determined that these constitute one class of asset under Ind-AS 113, based on the nature, characteristics and risks of the property.  Fair value of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation 31 May 2020, the properties’ fair values are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer who has relevant valuation experience for similar office properties in India for the last five years.  Fair value hierarchy disclosures for revalued land and buildings have been provided in Note 48. |

|  |  |
| --- | --- |
| **Significant unobservable valuation input:** | Range |
| Price per square metre | INR 325 – INR 350 |
| Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value. | |

**Information of revaluation model:**

**INR’Lacs**

|  |  |
| --- | --- |
| **Opening balance as at 1 April 2019** | 13,908 |
| Add : Purchase | 5,179 |
| Less: Deletions | (578) |
| Add/ (less): Re-measurement recognised in reserves | - |
| Less : Depreciation | (630) |
| **Balance as at 31 March 2020** | 17,879 |
| Add : Purchase | 8,171 |
| Less: Deletions | (5,429) |
| Add/ (less): Re-measurement recognised in reserves | 1,523 |
| Less : Depreciation | (657) |
| **Balance as at 31 March 2021** | 21,487 |

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| Authors’ note  Under the Ind AS compliant Schedule III, land and building are presented as two separate classes of property, plant and equipment. In contrast, paragraph 37 of Ind AS 16 appears to be having flexibility to treat land and building either as one class or as two separate classes. It also states that a class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations. Based on the nature, characteristics and risks of land and building, the management has determined that they constitute one class of property for revaluation as well presentation in the financial statements.  If a lessee does not present right-of-use assets separately in the balance sheet, Ind AS 116.47 requires the right-of-use assets to be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned. If the Group had included its right-of-use assets within property, plant and equipment, a column for the right-of-use assets would be included in the above table with a cross-reference to the details in Note 42. |
|  |

**Covid-19 commentary**

Many entities will have to assess property, plant and equipment for impairment. In addition, entities may need to reconsider their assumptions about the future use of an asset, specifically the remaining useful life and residual values. Property, plant and equipment may be under-utilised or idled for a period, which may lead entities to change plans and require a reassessment of the useful life estimates used in the depreciation calculations. Additionally, a weak economy may affect the residual value of property, plant and equipment that will also need to be included in any estimates of depreciation expense.

1. Investment properties

|  |  |
| --- | --- |
|  | **INR Lacs** |
| **Opening balance at 1 April 2019** | **12,764** |
| Additions (subsequent expenditure) | 2,145 |
| **Closing balance at 31 March 2020** | **14,909** |
| Additions (subsequent expenditure) | 2,189 |
| **Closing balance at 31 March 2021** | **17,098** |
|  |  |
| **Depreciation and impairment** |  |
| **Opening balance at 1 April 2019** | - |
| Depreciation (note 27) | (540) |
| **Closing balance at 31 March 2020** | **(540)** |
| Depreciation (note 27) | (551) |
| **Closing balance at 31 March 2021** | **(1,091)** |
|  |  |
| **Net Block** |  |
| at 31 March 2020 | 14,369 |
| at 31 March 2021 | 16,007 |

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| --- |
| For investment property existing as on 1 April 2015, i.e., its date of transition to Ind-AS, the group has used Indian GAAP carrying value as deemed costs. |

**Information regarding income and expenditure of Investment property**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Rental income derived from investment properties | 2,527 | 2,478 |
| Direct operating expenses (including repairs and maintenance) generating rental income | (181) | (635) |
| Direct operating expenses (including repairs and maintenance) that did not generate rental income | (67) | (229) |
| Profit arising from investment properties before depreciation and indirect expenses | **2,279** | **1,614** |
| Less – Depreciation | (551) | (540) |
| Profit arising from investment properties before indirect expenses | **1,728** | **1,074** |

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| The Group’s investment properties consist of two commercial properties in India. The management has determined that the investment properties consist of two classes of assets − office and retail − based on the nature, characteristics and risks of each property.  As at 31 March 2021 and 31 March 2020, the fair values of the properties are INR 18,310 and INR 15,800, respectively. These valuations are based on valuations performed by Chartered Surveyors & Co., an accredited independent valuer. Chartered Surveyors & Co. is a specialist in valuing these types of investment properties. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.  The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.  Fair value hierarchy disclosures for investment properties have been provided in Note 48 |

Description of valuation techniques used and key inputs to valuation on investment properties:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Valuation technique | Significant unobservable Inputs | Range (weighted average) |  |
|  |  |  | 31 March 2021 | 31 March 2020 |
| Office properties | DCF method  (refer below) | Estimated rental value per sq. per month | INR 10 - INR 25 (INR 20) | INR 9 - INR 23 (INR 16) |
| Rent growth p.a. | 6.25% | 6% |
|  |  | Long-term vacancy rate | 3% - 10% (5%) | 3% - 9% (4%) |
|  |  | Discount rate | 12.5% | 12.3% |
|  |  |  |  |  |
| Retail properties | DCF method (refer below) | Estimated rental value per sq. per month | INR 15 - INR 35 (INR 22) | INR 14 - INR 33 (INR 21) |
| Rent growth p.a. | 6% | 5.2% |
|  | Long-term vacancy rate | 4% - 12% (7%) | 4% - 13% (8.5%) |
|  |  | Discount rate | 11.5% | 11.3% |

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| Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset’s life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.  The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.  Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.  Generally, a change in the assumption made for the estimated rental value is accompanied by:   * A directionally similar change in the rent growth per annum and discount rate (and exit yield) * An opposite change in the long-term vacancy rate |
| **Authors’ note**  Ind AS 40 *Investment Property* requires investment properties to be carried at historical cost less accumulated depreciation and impairment. It also requires disclosure of information about the cost basis and depreciation rates (similar to disclosures required under Ind AS 16 for property, plant and equipment). Ind AS 40.79(e) requires disclosure of the fair value of investments properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with Ind AS 113. Also, in addition to the disclosures under Ind AS 40, Ind AS 113.97 requires disclosure of:   * The level at which fair value measurement is categorised i.e. Levels 1, Level 2 or Level 3 * A description of valuation technique and inputs for Level 2 or Level 3 fair value measurement * If the highest and best use differs from the current use of the asset, the fact and the reason for the same |

1. Intangible assets

|  | **Goodwill** | **Licences** | **Patents** | **Development costs** | **Intangible asset under development** | **Total** |
| --- | --- | --- | --- | --- | --- | --- |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| **Cost** |  |  |  |  |  |  |
| At 1 April 2019 | 214 | 432 | 711 | 2,853 | - | 4,210 |
| Additions – being internally developed | - | - | - | - | 702 | 702 |
| Acquisition of a subsidiary (note 36) | 236 | - | - | - | - | 236 |
| **At 31 March 2020** | **450** | **432** | **711** | **2,853** | **702** | **5,148** |
| Additions – being internally developed | - | - | - | - | 1,057 | 1,057 |
| Acquisition of a subsidiary (note 36) | 4,016 | 2,106 | 54 | - | - | 6,176 |
| Discontinued operations (note 21) | - | - | (248) | - | - | (248) |
| **At 31 March 2021** | **4,466** | **2,538** | **517** | **2,853** | **1,759** | **12,133** |
|  |  |  |  |  |  |  |
| **Amortisation and impairment** |  |  |  |  |  |  |
| At 1 April 2019 | - | - | 108 | 297 | - | 405 |
| Amortisation (note 27) | - | - | 90 | 223 | - | 313 |
| **At 31 March 2020** | **-** | **-** | **198** | **520** | **-** | **718** |
| Amortisation (note 27) | - | - | 54 | 171 | - | 225 |
| Impairment (Note 6) | 360 | - | - | - | - | 360 |
| Discontinued operations (note 21) | - | - | (5) | - | - | (5) |
| **At 31 March 2021** | **360** | **-** | **247** | **691** | **-** | **1,298** |
|  |  |  |  |  |  |  |
| **Net book value** |  |  |  |  |  |  |
| At 31 March 2021 | 4,106 | 2,538 | 270 | 2,162 | 1,759 | 10,835 |
| At 31 March 2020 | 450 | 432 | 513 | 2,333 | 702 | 4,430 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Net book value** |  | **31 March 2021** | **31 March 2020** |
|  |  | **INR Lacs** | **INR Lacs** |
| Intangible assets under development |  | 1,759 | 702 |
| Goodwill |  | 4,106 | 450 |
| Other intangible assets |  | 4,970 | 3,278 |

|  |
| --- |
| There are two fire prevention research and development projects. One is to improve fire detection and sprinkler systems and the other is related to fire-retardant fabrics for motor vehicles and aircraft.  Acquisition during the year  Patents and licences include intangible assets acquired through business combinations. The patents have been granted for a minimum of 10 years by the relevant government agency, while licences have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous licences acquired have been renewed and have allowed the Group to determine that these assets have indefinite useful lives. As at 31 October 2020, these assets were tested for impairment (Note 6). |

1. Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and licences with indefinite lives has been allocated to the two CGUs below, which are also operating and reportable segments, for impairment testing:

* Electronics CGU
* Fire prevention equipment CGU

Carrying amount of goodwill and licences allocated to each of the CGUs:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Electronics unit** | | **Fire prevention equipment unit** | | **Total** | |
|  | **31 March 2021** | **31 March 2020** | **31 March 2021** | **31 March 2020** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Goodwill | 90 | 450 | 4,016 | - | 4,106 | 450 |
| Licences with indefinite useful lives | 648 | - | 1,890 | 432 | 2,538 | 432 |

|  |
| --- |
| The Group performed its annual impairment test for years ended 31 March 2021 and 31 March 2020 on 31 October 2020 and 31 October 2019, respectively (hereinafter reference date is generally stated to be year-end). The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 October 2020, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment. In addition, the overall decline in construction and development activities around the world as well as the ongoing economic uncertainty have led to a decreased demand in both the Fire prevention equipment and Electronics CGUs. |
| **Electronics CGU**  The recoverable amount of the Electronics CGU, INR 676 as at 31 October 2020, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections for impairment testing during the current year is 15.5% (31 March 2020: 12.1%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (31 March 2020: 5.0%) that is the same as the long-term average growth rate for the electronics industry. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of INR 360 in the current year against goodwill, previously carried at INR 450. The impairment charge is recorded in the statement of profit and loss. |
| Fire prevention equipment CGU  The recoverable amount of the Fire prevention equipment CGU, INR 7,238 as at 31 October 2020, is also determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to the cash flow projections for impairment testing during the current year is 14.4% (31 March 2020: 12.8%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2.9% (31 March 2020: 3.8%). This growth rate exceeds the industry average growth rate by 0.75%. The management of the Fire prevention equipment unit believes this growth rate is justified based on the acquisition of Extinguishers Limited. This acquisition has resulted in the Group obtaining control of an industry patent, thereby preventing other entities from manufacturing a specialised product for a period of 10 years. The Group has an option to renew the patent after the 10 years have expired. As a result of the updated analysis, management did not identify impairment for this CGU. |
| Key assumptions used in value in use calculations  The calculation of value in use for both electronics and fire prevention equipment units are most sensitive to the following assumptions:   * Gross margins * Discount rates * Construction materials price inflation * Market share during the forecast period * Growth rates used to extrapolate cash flows beyond the forecast period |
| **Gross margins -** Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements. An increase of 1.5% per annum was applied for the Electronics unit and 2% per annum for the Fire prevention equipment unit. |
| **Discount rates** - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. |
| **Construction materials price inflation** - Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for India and the United States), otherwise past actual material price movements are used as an indicator of future price movements. |
| **Market share assumptions -** When using industry data for growth rates (as noted below), these assumptions are important because management assesses how the unit’s position, relative to its competitors, might change over the forecast period. Management expects the Group’s share of the electronics market to be stable over the forecast period. Management expects the Group’s position in Fire prevention equipment unit relative to its competitors to strengthen following the acquisition of Extinguishers Limited. |
| **Growth rate estimates -** Rates are based on published industry research. For the reasons explained above, the long-term rate used to extrapolate the budget for the Fire prevention equipment unit includes an adjustment on account of the acquisition of a significant industry patent. |
| **Sensitivity to changes in assumptions**  The implications of the key assumptions for the recoverable amount are discussed below:   * *Raw materials price inflation* - The management has considered the possibility of greater than forecast increases in raw material price inflation. This may occur if anticipated regulatory changes result in an increase in demand that cannot be met by suppliers. Forecast price inflation lies within a range of 1.9% to 2.6% for Electronics unit and 2.1% to 4.5% for Fire prevention equipment unit, depending on the country from which materials are purchased. If prices of raw materials increase greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, then the Group will have a further impairment in Electronics unit and headroom in Fire prevention equipment unit will diminish. * *Growth rate assumptions* – The management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 5.2% for Electronics unit and 8.4% for Fire prevention equipment unit. A reduction to 0.8% in the long-term growth rate in Electronics unit would result in a further impairment. For the Fire prevention equipment unit, a reduction to 0.3% in the long-term growth rate would result in impairment. * *Gross margins* - A decreased demand can lead to a decline in gross margin. A decrease in gross margin to 1.0% would result in a further impairment in the Electronics unit. A decrease in gross margin to 5.0% would result in impairment in the Fire prevention equipment unit. * *Discount rates* - A rise in pre-tax discount rate to 16.0% (i.e. +0.5%) in the Electronics unit would result in a further impairment. A rise in pre-tax discount rate to 20.0% in the Fire prevention equipment unit would result in impairment. * *Market share during the forecast period* - Although the management expects the Group’s market share of the electronics market to be stable over the forecast period, a decline in the market share by 8% would result in a further impairment in the Electronics unit. Similarly, a decline in market share in fire prevention equipment market by 20% would result in impairment in the Fire prevention equipment unit. |
| **Authors’ note**  The Group has determined recoverable amounts of its cash generating units (CGUs) based on value in use under Ind-AS 36. If the recoverable amounts are determined using fair value less costs of disposal, Ind-AS 36 requires disclosure of the valuation technique(s) and other information including: the key assumptions used; a description of management’s approach to each key assumption; the level of fair value hierarchy and the reason(s) for changing valuation techniques, if there is any change, are required to be provided in the financial statements. Furthermore, if fair value less cost of disposal is determined using discounted cash flow projections, additional information such as period of cash flow projections, growth rate used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections are required to be disclosed.  Ind-AS 36 requires disclosures of sensitivity analysis for each CGU for which carrying amount of goodwill or intangible assets with indefinite lives allocated to that CGU is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite lives. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU’s recoverable amount would cause the CGU’s carrying amount to exceed its recoverable amount. The Group has made these disclosures for all the key assumptions for Electronics unit, since there is an impairment charge during the year and the carrying amount equals recoverable amount, and for Fire prevention equipment unit, as it is believed that a reasonably possible change in the key assumptions may cause impairment. Entities need to also take into account the consequential effect of a change in one assumption on other assumptions, as part of the sensitivity analyses when determining the point at which the recoverable amount equals the carrying amount. The Group has considered this in the disclosures herein. |

1. Financial assets

|  | **31 March 2021** | **31 March 2020** |
| --- | --- | --- |
|  | **INR Lacs** | **INR Lacs** |
| Investments |  |  |
| Investments at fair value through OCI (FVTOCI) |  |  |
| Unquoted equity shares (fully paid) |  |  |
| 50,000 (31 March 2020: 50,000) equity shares of I Limited | 850 | 850 |
| 1,00,000 (31 March 2020: Nil) equity shares of M Limited | 1,018 | - |
| Nil (31 March 2020: 100,000) equity shares of Test Limited | - | 766 |
| Quoted equity shares (fully paid) |  |  |
| 25,000 (31 March 2020: 25,000) equity shares of X Limited | 175 | 175 |
| 40,000 (31 March 2020: 35,000) equity shares of T Limited | 432 | 365 |
| Quoted debt securities (fully paid) |  |  |
| 65,000 (31 March 2020: 65,000) Debentures of Q Limited | 650 | 650 |
| 40,000 (31 March 2020: 35,000) Debentures of L Limited | 452 | 430 |
| **Total FVTOCI investments** | **3,577** | **3,236** |
| **Investments at fair value through P&L (FVTPL)** | **Nil** | **Nil** |
| **Total investments** | **3,577** | **3,236** |
| **Current** | **-** | **-** |
| **Non-Current** | **3,577** | **3,236** |
|  | **3,577** | **3,236** |
| **Aggregate book value of quoted investments** | **1,709** | **1,620** |
| **Aggregate market value of quoted investments (refer Note 47 & 48)** | **1,709** | **1,620** |
| **Aggregate book value of unquoted investments** | **1,868** | **1,616** |
| **Aggregate amount of impairment in value of investments** | **10** | **-** |
|  |  |  |
| **Loans (Secured considered good unless otherwise stated)** |  |  |
| Loan notes | 6,614 | 3,033 |
| Loan to an associate (refer note no 44) | 360 | - |
| Loan to directors (refer note no 44) | 23 | 14 |
| **Total loans** | **6,997** | **3,047** |
| **Current** | 2,799 | 1,219 |
| **Non-Current** | 4,198 | 1,828 |
|  | **6,997** | **3,047** |
|  |  |  |
| **Other financial assets** |  |  |
| **Derivative instruments** |  |  |
| **Derivative instruments at fair value through OCI** |  |  |
| Cash flow hedges |  |  |
| Foreign exchange forward contracts | 454 | 275 |
| **Derivative instruments at fair value through OCI** | **454** | **275** |
|  |  |  |
| **Financial instruments at fair value through profit or loss** |  |  |
| Derivatives not designated as hedges |  |  |
| Foreign exchange forward contracts | 1,152 | - |
| Embedded derivatives | 378 | - |
| **Total instruments at fair value through profit or loss** | **1,530** | **-** |
|  |  |  |
| **Total other financial assets (derivative instruments)** | **1,984** | **275** |
| **Current** | 992 | 275 |
| **Non-Current** | 992 | - |
|  | **1,984** | **275** |
|  |  |  |
| **Total financial assets** | **12,558** | **6,558** |
| **Total current** | 3,791 | 1,494 |
| **Total non-current** | 8,767 | 5,064 |
| **Total financial assets** | **12,558** | **6,558** |

|  |
| --- |
| FVTOCI investments at fair value through OCI (fully paid) reflect investment in quoted and unquoted equity securities and quoted debt securities. Refer note 47 for determination of their fair values.  Impairment on FVTOCI investments  The group has identified a small impairment of less than INR 10 on FVTOCI debt securities. The impairment on FVTOCI financial assets is recognised within finance costs in the statement of profit or loss. Since amount is not material, it is not separately reflected in the financial statements.  Loans and receivables are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.  **Financial instruments at fair value through OCI** reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in US dollars (USD) and purchases in GB pound sterling (GBP). |
| **Financial instruments at fair value through profit or loss** reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases. |

**Break up of financial assets carried at amortised cost**

|  | **31 March 2021** | **31 March 2020** |
| --- | --- | --- |
|  | INR lacs | INR lacs |
| Loans | 6,997 | 3,047 |
| Trade receivable (note 9) | 47,110 | 41,022 |
| Cash and cash equivalents (note 10) | 29,590 | 26,414 |
| **Total financial assets carried at amortised cost** | **83,697** | **70,483** |

**Break up of financial assets carried at FVTOCI**

|  | **31 March 2021** | **31 March 2020** |
| --- | --- | --- |
|  | INR lacs | INR lacs |
| FVTOCI investments | 3,577 | 3,236 |
| Derivative instruments at fair value through OCI | 454 | 275 |
|  | **4,031** | **3,511** |

**Break up of financial assets carried at FVTPL**

|  | **31 March 2021** | **31 March 2020** |
| --- | --- | --- |
|  | INR lacs | INR lacs |
| FVTPL investments | Nil | Nil |
| Derivative instruments at fair value through profit or loss | 1,530 | - |
|  | **1,530** | **Nil** |

|  |
| --- |
| **Authors’ note**  Schedule III of the companies require companies to bifurcate loans in to below mentioned categories:  (a) Loans Receivables considered good - Secured;  (b) Loans Receivables considered good - Unsecured;  (c) Loans Receivables which have significant increase in Credit Risk; and  (d) Loans Receivables - credit impaired,”;  Since all loans given by the group are secured and considered good, the above bifurcation is not applicable to the group and hence not given. Also, ECL provision on the considered good loans are immaterial. Therefore, relevant ECL disclosures are not provided. For trade receivables refer note 9.  Ind AS 107 require stage wise classification and movement disclosure of loans and ECL. Since there is no stage wise movement and corresponding ECL is immaterial for the group, we have not provided these disclosures. Where the company has material stage wise movement / ECL then it will need to comply with disclosure requirement of Ind AS 107.  Section 186 (4) of the Companies Act 2013 requires that the company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security. Accordingly, these disclosures should also be made, to the extent applicable in accordance with the provisions of the above section of the Companies Act. |

**Disclosure required under Sec 186(4) of the Companies Act 2013**

Included in loans and advance are certain intercorporate deposits the particulars of which are disclosed below as required by Sec 186(4) of the Companies Act 2013

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of the loanee** | **Rate of Interest** | **Due date** | **Secured/ unsecured** | **31 March 2021** | **31 March 2020** |  |
| INR lacs | INR lacs |  |
| P Limited | 10% | 01/09/2023 | Secured | 360 | - |  |
|  |  |  |  | 360 | - |  |

P Limited has given first charge over its inventory and trade receivables against the above loan. The loan has been utilized for meeting their working capital requirements.

**Author’s Note**

General Circular No, 04/2015 dt. 10 March 2015 clarifies with regards the applicability status of Sec 186 of the Companies Act 2013. The loans and advances to employees, other than the managing or whole-time directors (which is governed by section 185) are not governed by the requirements of Section 186 of the said Act. This clarification will, however, be applicable if such loans/ advances to employees are in accordance with the conditions of service applicable to employees and are also in accordance with the remuneration policy, in cases where such policy is required to be formulated. Accordingly, loans which are not governed by Sec 186 need not be disclosed above.

Sec 185 of the Companies Act 2013 requires that “no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt, to any of its directors or to any other person in whom the director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person”. However, the rules allow that a company may give loans to wholly owned subsidiaries. The companies are required to complying with Sec. 185 of the Companies Act, 2013 separately.

In most of the cases, the disclosure requirement under regulation 53(f) read together with Para A of Schedule V will not be applicable, since the company cannot enter into such transactions as required to be disclosed under Para A of Schedule V of the listing regulations.

The clause 32 of the old listing agreement required the disclosure to be given in the annual account, however, the new listing regulations requires the equivalent disclosure to be given under regulation 53(f) read together with Para A of Schedule V in the annual report. Accordingly, the disclosure can be part of the financial statements or annual report. The company has opted to disclose it in the financial statements

Further, Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the holding company to provide disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year to subsidiaries, associates and to firms/companies in which directors are interested by name and amount. It also requires the disclosures of amounts at the year end and the maximum amount of investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

1. Inventories

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | **INR Lacs** | **INR Lacs** |
| Raw materials (at cost) (INR1,50,874 (31 March 2020: 2,35,423) in transit) | 9,432 | 12,845 |
| Work in progress (at cost) | 22,243 | 17,499 |
| Finished goods (at lower of cost and net realisable value) | 6,822 | 9,490 |
| **Total inventories at the lower of cost and net realisable value** | **38,497** | **39,834** |

|  |
| --- |
| During the year ended 31 March 2021, INR 515 (31 March 2020: INR 436) was recognised as an expense for inventories carried at net realisable value. |

**Covid-19 commentary**

Inventories might need to be written down to their net realisable value because of reduced movement in inventory, lower commodity prices, or inventory obsolescence due to lower-than-expected sales.

Ind AS 2 Inventories requires that fixed production overheads are included in the cost of inventory based on normal production capacity. Reduced production might affect the extent to which overheads can be included in the cost of inventory.

Entities should assess the significance of any write-downs and whether they require disclosure in accordance with Ind AS 2.

Disclosures about inventories, including the measurement bases used, assist users in understanding how transactions, events and conditions are reflected in the financial statements and the sensitivity to change. At a minimum, entities will need to disclose the amount of any write-down of inventories recognised in profit or loss, as well as any subsequent reversal of such write-downs. In addition, entities need to disclose the circumstances or events that lead to a reversal of any write-down.

1. Trade receivables (current)

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Trade receivables | 42,356 | 36,197 |
| Receivables from an associate (Note 44) | 992 | 1,048 |
| Receivables from other related parties (Note 44) | 1,116 | 990 |
| **Total Trade receivables** | **44,464** | **38,235** |

**Break-up for security details:**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | INR lacs | INR lacs |
| **Trade receivables** |  |  |
| Secured, considered good | - | - |
| Unsecured, considered good | 43,419 | 37,243 |
| Trade Receivables which have significant increase in credit Risk | 1,245 | 1,170 |
| Trade Receivables - credit impaired | 125 | 112 |
|  | **44,789** | **38,525** |
|  |  |  |
| **Impairment Allowance (allowance for bad and doubtful debts)** |  |  |
| Unsecured, considered good | (66) | (57) |
| Trade Receivables which have significant increase in Credit Risk | (134) | (121) |
| Trade receivables - credit impaired | (125) | (112) |
|  |  |  |
| **Total Trade receivables** | **44,464** | **38,235** |

|  |
| --- |
| No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.  For terms and conditions relating to related party receivables, refer Note 44.  Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. |

|  |
| --- |
| Authors’ note  Ind AS compliant Schedule requires that debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated. |

**Covid-19 commentary**

Expected credit losses

Large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios and trade receivables (amongst other items) as a result of the Covid-19 pandemic may have a significant impact on an entity’s expected credit loss (ECL) measurement.

A number of regulators have published guidance on the regulatory and accounting implications of the impact of the Covid-19 pandemic. In March 2020, the IASB published a document, for educational purposes, entitled Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic to help support the consistent application of accounting standards on expected credit losses. The document is broadly consistent with the guidance from the regulators and emphasises that IFRS 9 does not set bright lines or a mechanistic approach to determining when there is a significant increase in credit risk (SICR), nor does it dictate the exact basis on which entities should determine forward looking scenarios to measure expected credit losses.

Entities should consider the following in updating their ECL calculations due to the Covid-19 pandemic:

• The use of reasonable and supportable information. Given the unprecedented circumstances, it is critical that entities provide transparent disclosure of the critical assumptions and judgements used to measure the ECL

• Re-segmentation of loan portfolios or groups or receivables

• Individual and collective assessment of loans, receivables and contract assets. In order to accelerate the detection of such changes in credit quality not yet detected at an individual level, it may be appropriate to adjust ratings and the probabilities of default on a collective basis, considering risk characteristics such as the industry or geographical location of the borrowers

• Extension of payment terms. If payment terms are extended in light of the current economic circumstances, the terms and conditions of the extension will have to be assessed to determine their impacts on the ECL estimate

The ECL calculation and the measurement of significant deterioration in credit risk both incorporate forward-looking information using a range of macroeconomic scenarios and, as such, entities need to reassess the inputs to their provision matrix used to calculate ECLs. Uncertainties in market trends and economic conditions may persist due to Covid-19 pandemic, which may impact actual results which differ materially from the estimates in ECL.

1. Cash and cash equivalents

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| *Balances with banks:* |  |  |
| – On current accounts | 19,111 | 19,546 |
| – Deposits with original maturity of less than three months | 10,433 | 6,824 |
| Cheques/ drafts on hand | 12 | 12 |
| Cash on hand | 34 | 32 |
|  | **29,590** | **26,414** |

|  |
| --- |
| Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. |
| At 31 March 2021, the Group had available INR 103 (31 March 2020: INR 22) of undrawn committed borrowing facilities.  The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 49 for further details.  For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 March: |

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Balances with banks: |  |  |
| – On current accounts | 19,111 | 19,546 |
| – Deposits with original maturity of less than three months | 10,433 | 6,824 |
| Cheques/ drafts on hand | 12 | 12 |
| Cash on hand | 34 | 32 |
| Cash at bank and short-term deposits attributable to discontinued operations (note 21) | 2,329 | - |
|  | 31,919 | 26,414 |
| Less – Bank overdraft (note 14) | (1,739) | (4,770) |
|  | **30,180** | **21,644** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **01-Apr-20** | **Cash flows** | **Reclassified as part of disposal group** | **Foreign exchange management** | **Changes in fair values** | **New leases** | **Other** | **31-Mar-21** |
|  | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs |
| Current borrowings (excluding items listed below) | **4,903** | (86) | - | 5 | - | - | (543) | **4,279** |
| Current lease liabilities | **752** | (731) | - | - | - | 76 | 722 | **819** |
| Non- current borrowings (excluding items listed below) | **37,368** | 9,034 | (10,454) | 16 | - | - | (970) | **34,994** |
| Non-current lease liabilities | **4,595** | - | - | - | - | 992 | (716) | **4,871** |
| Derivatives | - | - | - | - | 63 | - | - | **63** |
| **Total liabilities from financing activities** | **47,619** | **8,217** | **(10,454)** | **21** | **63** | **1,068** | **(1,507)** | **45,027** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **01-Apr-19** | **Cash flows** | **Reclassified as part of disposal group** | **Foreign exchange management** | **Changes in fair values** | **New leases** | **Other** | **31-Mar-20** |
|  | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs | INR lacs |
| Current borrowings (excluding items listed below) | **8,125** | (5,483) | - | 7 | - | - | 2,254 | **4,903** |
| Current lease liabilities | **639** | (614) | - | - | - | 40 | 688 | **753** |
| Non- current borrowings (excluding items listed below) | **33,716** | 5,366 | - | 11 | - | - | (1,725) | **37,368** |
| Non-current lease liabilities | **4,921** | - | - | - | - | 365 | (691) | **4,595** |
| **Total liabilities from financing activities** | **47,401** | **(731)** | **0** | **18** | **0** | **405** | **526** | **47,620** |

The ‘Other’ column includes the effect of reclassification of non-current portion of borrowings, including lease liabilities to current due to the passage of time, and the effect of accrued but not yet paid interest on borrowings.

**Author’s Note**

There is no prescribed format for this disclosure, but Author has selected a tabular format as it considered it the most efficient and meaningful way of meeting the requirement in IAS 7.44A and its objective, given the facts and circumstances.

1. Share capital

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Authorised share capital | | | | |
|  | Equity Shares | | Preference Shares | |
|  | No. in Lacs | INR Lacs | No. in Lacs | INR Lacs |
| **At 1 April 2019** | 36,158 | 36,158 | 4,500 | 4,500 |
| Increase/(decrease) during the year | - | - | - | - |
| **At 31 March 2020** | **36,158** | **36,158** | **4,500** | **4,500** |
| Increase/(decrease) during the year | 4,500 | 4,500 | - | - |
| **At 31 March 2021** | **40,658** | **40,658** | **4,500** | **4,500** |
| During the year ended 31 March 2021, the authorised share capital was increased by INR 4,500 lacs, i.e., 4,500 lac Equity shares of INR 1 each. | | | | |
| **Terms/ rights attached to equity shares**  The company has only one class of equity shares having par value of INR 1 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.  In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. | | | | |
| **Terms/ rights attached to preference shares**  Each convertible preference share has a par value of INR 1 and is convertible at the option of the shareholders into Equity shares of the parent of the Group starting from 1 April 2023 on the basis of one equity share for every three preference shares held. Any preference shares not converted will be redeemed on 31 March 2022 at a price of INR 1.20 per share. The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are non-cumulative. The preference shares rank ahead of the equity shares in the event of a liquidation. The presentation of the liability and equity portions of these shares is explained in the summary of significant accounting policy. | | | | |

**Issued equity capital**

|  |  |  |
| --- | --- | --- |
| Equity shares of INR 1 each issued and fully paid | No in Lacs | INR Lacs |
| **At 1 April 2019** | **34,898** | **34,898** |
| **At 31 March 2020** | **34,898** | **34,898** |
| Issued on 1 November 2020 for acquisition of Extinguishers Limited (Note 36) | 4,500 | 4,500 |
| **At 31 March 2021** | **39,398** | **39,398** |

**Equity component of convertible preference shares of INR 1 each issued and fully paid**

|  |  |  |
| --- | --- | --- |
|  | No in Lacs | INR Lacs |
| **As at 1 April 2019** | 410 | 410 |
| Changes during the period | - | - |
| **At 31 March 2020** | **410** | **410** |
| Changes during the period | - | - |
| **At 31 March 2021** | **410** | **410** |

|  |
| --- |
| This note covers the equity component of the issued convertible preference shares. The liability component is reflected in financial liabilities.  **Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates**  Out of equity and preference shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below: |

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
| **All nos. in Lacs** | INR in Lacs | INR in Lacs |
| **S.J. Limited, holding company**  20,093.18 lacs (31 March 2020: 20,093.18 lacs) equity shares | 20,093.18 | 20,093.18 |
| 2,295 lacs (31 March 2020: 2,295 lacs) preference shares | 2,295.00 | 2,295.00 |

**Details of shareholders holding more than 5% shares in the company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of the shareholder** | **As at 31 March 2021** | | **As at 31 March 2020** | |
| **No. in lacs** | **% holding in the class** | **No. in lacs** | **% holding in the class** |
| *Equity shares of* INR*1 each fully paid* |  |  |  |  |
| S.J. Limited, holding company | 20,093.18 | 51% | 20,093.18 | 57.58% |
| International Fires P.L.C, an enterprise with significant influence | 8,462.69 | 21.48% | 8,462.69 | 24.25% |
|  |  |  |  |  |
| *Preference shares of* INR*1 each fully paid* |  |  |  |  |
| S.J. Limited, holding company | 209 | 51% | 209 | 51% |

**Aggregate number of equity shares issued as bonus, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **No. in lacs** | **No. in lacs** |
| Equity shares allotted as fully paid bonus shares by capitalization of securities premium | 500 | 500 |
| Equity shares issued for acquisition of Extinguishers Limited refer note 36 | 4,500 | - |

|  |
| --- |
| **Shares reserved for issue under options**  For details of shares reserved for issue under the Share based payment plan of the company, please refer note 41.  For details of shares reserved for issue on conversion of Convertible Preference Shares, please refer note related to terms of conversion/ redemption of preference shares. |

1. Other equity

**Securities premium**

|  |  |
| --- | --- |
|  | INR Lacs |
| **At 1 April 2019** | **Nil** |
| **At 31 March 2020** | **Nil** |
| Increase on 1 November 2020 because of issuance of share capital for the acquisition of Extinguishers Limited (Note 36) | 8,466 |
| Decrease due to transaction costs for issued share capital | (58) |
| **At 31 March 2021** | **8,408** |

|  |  |  |
| --- | --- | --- |
| Treasury shares | No in Lacs | INR Lacs |
| **At 1 April 2019** | **603** | **1,393** |
| Issued for cash on exercise of share options | (117) | (216) |
| **At 31 March 2020** | **486** | **1,177** |
| Issued for cash on exercise of share options | (135) | (263) |
| **At 31 March 2021** | **351** | **914** |

|  |
| --- |
| Share options exercised in each respective year have been settled using the treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess of the cash received from employees over the reduction in treasury shares is recognised in the retained earnings.  Share option schemes/ SBP reserve  The Group has two share option schemes under which options to subscribe for the Group’s shares have been granted to certain executives and senior employees.  The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 41 for further details of these plans. |

|  |  |
| --- | --- |
| SBP reserve | Share-based payments |
|  | INR Lacs |
| **As at 1 April 2019** | 609 |
| Add: Compensation options granted during the year | 536 |
| Less: transferred to capital reserve on exercise of stock options | (94) |
| **At 31 March 2020** | **1,051** |
| Add: Compensation options granted during the year | 553 |
| Less: transferred to capital reserve on exercise of stock options | (128) |
| **At 31 March 2021** | **1,476** |

|  |
| --- |
| Debenture Redemption Reserve (DRR) |

|  |  |  |
| --- | --- | --- |
|  |  | INR Lacs |
| **At 1 April 2019** |  | **1,520** |
| Changes during the period |  | - |
| **At 31 March 2020** |  | **1,520** |
| Changes during the period |  | - |
| **At 31 March 2021** |  | **1,520** |

|  |
| --- |
| **Authors’ Note**  According to the Companies (Share capital and Debentures) Rules, 2014 (as amended), a company should on or before the 30th day of April in each year, invest or deposit, a sum which shall not be less than fifteen percent of the amount of its debentures maturing during the year ending on the 31st day of March of the next year, in the prescribed manner laid down in the rules. Till reporting date, the company was not required to make any such deposit/ investment. |
|  |

|  |  |
| --- | --- |
| Capital Reserve | INR lacs |
| **At 1 April 2019** | **-** |
| Add: amount arising on exercise of share options (including transfer from SBP reserve) | 238 |
| **At 31 March 2020** | **238** |
| Add: amount arising on exercise of share options (including transfer from SBP reserve) | 180 |
| Less: amount utilized on acquisition of non-controlling interest | (342) |
| **At 31 March 2021** | **76** |

**Other reserves**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | **INR lacs** | **INR lacs** |
| SBP reserve | 1,476 | 1,051 |
| Debenture redemption reserve | 1,520 | 1,520 |
| Capital reserve | 76 | 238 |
| Effective portion of cash flow hedges | (1,012) | (126) |
| Cost of cash flow hedges | (36) | - |
| Equity instruments through Other Comprehensive Income | (13) | - |
| Debt instruments through Other Comprehensive Income | (138) | 3 |
| Exchange differences on translating the financial statements of a foreign operation | (302) | (211) |
| Asset revaluation surplus | 922 | - |
| **Total** | **2,493** | **2,476** |

The disaggregation of changes in OCI by each type of reserves in equity is disclosed in note 32.

# Nature and purpose of reserves

|  |
| --- |
| Securities premium |
| Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013. |
| Equity instruments through Other comprehensive income The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVTOCI equity investments reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised. |
| Debt instruments through Other comprehensive income The Group recognises changes in the fair value of debt instruments held with business objective of collect and sell in other comprehensive income. These changes are accumulated within the FVOCI debt investments reserve within equity. The Group transfers amounts from this reserve to the statement of profit and loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the statement of profit and loss. |
| * 1. Effective portion of cash flow hedges   The Group uses hedging instruments as part of its management of foreign currency risk and interest rate risk associated on borrowings. For hedging foreign currency and interest rate risk, the Group uses foreign currency forward contracts, cross currency swaps, foreign currency option contracts and interest rate swaps. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedging reserve. Amounts recognised in the cash flow hedging reserve is reclassified to the statement of profit and loss when the hedged item affects profit or loss (e.g. interest payments). |
| * 1. Cost of cash flow hedges   The Group designates the spot component of foreign currency forward contracts and the intrinsic value of foreign currency option contracts as hedging instruments in cash flow hedge relationships. Such amount is recognised in OCI and amortised to the statement of profit and loss on a rational basis.  The Group also excludes from the designation the foreign currency basis spread element of the swap, which is recognised in OCI and amortised to statement of profit and loss on a rational basis.   * 1. Debenture redemption reserve |
| The Group has issued redeemable non-convertible debentures. Accordingly, the Companies (Share capital and Debentures) Rules, 2014 (as amended), require the company to create DRR out of profits of the company available for payment of dividend. DRR is required to be created for an amount which is equal to 25% of the value of debentures issued. Though the DRR is required to be created over the life of debentures, the Group has upfront created DRR out of retained earnings for an amount which is higher than the minimum required (31 March 2021: 26.72% and 31 March 2020: 26.72%). |
| * 1. General reserve   Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers was to ensure that if a dividend distribution in a given year is more than 10% of the paid-up capital of the Company for that year, then the total dividend distribution is less than the total distributable results for that year. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013. |
| * 1. Exchange differences on translating the financial statements of a foreign operation   Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off. |
| * 1. Share based payment reserve   The share options-based payment reserve is used to recognise the grant date fair value of options issued to employees under Employee stock option plan. |
| * 1. Capital reserve   The Group recognizes profit or loss on purchase, sale, issue or cancellation of the Group’s own equity instruments to capital reserve |

1. Distributions made and proposed

|  |  |  |
| --- | --- | --- |
|  | 31 March  2021 | 31 March  2020 |
|  | INR Lacs | INR Lacs |
| **Dividends on Equity shares declared and paid:** |  |  |
| Final dividend for 31 March 2021: INR 0.05 per share (31 March 2020: INR 0.035 per share) | 1,948 | 1,221 |
| Dividend distribution tax on final dividend | - | 127 |
| Interim dividend for 31 March 2021: INR 0.041 per share (31 March 2020: INR 0.039 per share) | 1,602 | 1,370 |
| Dividend distribution tax on interim dividend | - | 162 |
|  | **3,550** | **2,880** |
| **Proposed dividends on Equity shares:** |  |  |
| Final cash dividend for 31 March 2021: INR 0.05 per share (31 March 2020: INR 0.050 per share) | 1,957 | 1,745 |
| Dividend distribution tax on proposed dividend | - | 203 |
|  | **1,957** | **1,948** |

|  |
| --- |
| Proposed dividends on equity shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 March.  With effect from 1 April 2020, the Dividend Distribution Tax (‘DDT’) payable by the company under section 115O of Income Tax Act was abolished and a withholding tax was introduced on the payment of dividend. As a result, dividend is now taxable in the hands of the recipient. |

1. Borrowings

|  | Effective interest rate | Maturity | 31 March 2021 | 31 March 2020 |
| --- | --- | --- | --- | --- |
|  | % |  | INR Lacs | INR Lacs |
| **Non-current Borrowings** |  |  |  |  |
| **Debentures** |  |  |  |  |
| 8% debentures (unsecured) | 8.2 | 2023-2027 | 5,677 | 5,677 |
|  |  |  |  |  |
| **Term Loan** |  |  |  |  |
| **From Bank** |  |  |  |  |
| Secured bank loan | MIBOR + 2.0 | 31 July 2025 | 6,658 | 6,280 |
| 8.25% secured loan of USD 67.4 | \*MIBOR + 0.2 | 31 May 2025 | 4,044 | - |
| INR 10,456 bank loan (unsecured) (note 21) | 7.5 | 31 March 2023 | - | 10,456 |
| INR 3,960 bank loan (unsecured) | MIBOR + 0.5 | 31 March 2023 | 3,740 | 3,740 |
| INR 4,950 bank loan (unsecured) | MIBOR + 1.1 | 2022-2024 | 4,475 | 4,013 |
| INR 2,700 bank loan (secured) | MIBOR + 0.5 | 1 Nov 2020 | **-** | 2,443 |
| **From other parties** |  |  |  |  |
| Loan from a third-party investor in Fire Equipment Test Lab Limited (unsecured) | 11.0 | 1 January 2022 | 5,400 | - |
|  |  |  |  |  |
|  |  |  |  |  |
| **Liability component of compound financial instrument** |  |  |  |  |
| Convertible preference shares (unsecured) | 11.6 | 2021-2023 | 5,000 | 4,759 |
| **Total non-current borrowings** |  |  | 34,994 | 37,368 |
|  |  |  |  |  |
| **Current borrowings** |  |  |  |  |
|  |  |  |  |  |
| **Loan repayable On Demand (from bank)** |  |  |  |  |
| Bank overdrafts (secured) | MIBOR + 1.0 | On demand | 1,739 | 4,770 |
|  |  |  |  |  |
| **Current maturity of long-term loans** |  |  |  |  |
| INR 27,00,00,000 bank loan(secured) | MIBOR + 0.5 | 1 November 2021 | 2,540 | - |
| Third party loan (unsecured) | MIBOR + 0.5 | 31 March 2019 & 2020 | - | 133 |
| **Total current borrowings** |  |  | **4,279** | **4,903** |
| **Less: Amount clubbed under “other financial liabilities”** |  |  | **2,540** | **133** |
| **Net current borrowings** |  |  | **1,739** | **4,770** |

\* Includes the effects of related interest rate swaps.

|  |  |  |
| --- | --- | --- |
| Aggregate Secured loans | 14,981 | 13,493 |
| Aggregate Unsecured loans | 24,292 | 28,778 |

|  |
| --- |
| **Authors’ note**  Ind-AS 107 only requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. As the Group has a significant amount of borrowings on its balance sheet, it has decided to provide detailed information to the users of the financial statements about the effective interest rate as well as the maturity of the loans. Ind AS compliant Schedule III requires specific disclosures, e.g., for terms of loans/ bonds/ debentures. |

|  |
| --- |
| **8% debentures**  The 8% debentures are repayable in equal annual instalments of INR 630 lacs each commencing on 1 April 2023. |
| **Secured bank loan**  This loan has been drawn down under a six-year multi-option facility (MOF). The loan is repayable within 12 months after the reporting date but has been classified as long term because the Group expects and has the discretion to exercise its rights under the MOF to refinance this funding. Such immediate replacement funding is available until 31 July 2025. The facility is secured by a first charge over certain of the Group’s land and buildings, with a carrying value of INR 9,000 (31 March 2020: INR 9,000). |
| **8.25% secured loan in USD**  The loan is secured by a first charge over certain of the Group’s land and buildings with a carrying value of INR 4,320 (31 March 2020: Nil). |
| **INR 10,456 bank loan**  This loan is unsecured and is repayable in full on 31 March 2023. This loan has been transferred to the net balance of the discontinued operations (note 21). |
| **INR 3,960 bank loan**  This loan is unsecured and is repayable in full on 31 March 2023. |
| **INR 4,950 bank loan**  The Group increased its borrowings under this loan contract by INR 450 during the reporting period. This loan is repayable in two instalments of INR 2,250 due on 31 March 2022 and INR 2,700 due on 31 March 2024. |
| **INR 2,700 bank loan**  This loan is unsecured and is repayable in full on 1 November 2020.  **Bank overdrafts**  The bank overdrafts are secured by a portion of the Group’s short-term deposits.  **Third party loan**  This loan is unsecured and is repayable in on 31 March 2019 and 2020. |
| **Convertible preference shares**  At 31 March 2021 and 31 March 2020, there were INR 4,500 lac convertible preference shares in issue. Each share has a par value of INR 1 and is convertible at the option of the shareholders into Equity shares of the parent of the Group starting from 1 April 2023 on the basis of one equity share for every three preference shares held. Any preference shares not converted will be redeemed on 31 March 2025 at a price of INR 1.20 per share. The preference shares carry a dividend of 7% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are non-cumulative. The preference shares rank ahead of the equity shares in the event of a liquidation. The presentation of the liability and equity portions of these shares is explained in the summary of significant accounting policies. |
| **Loan covenants**  Bank loans contain certain debt covenants relating to limitation on indebtedness, debt-equity ratio, net Borrowings to EBITDA ratio and debt service coverage ratio. The limitation on indebtedness covenant gets suspended if the Group meets certain prescribed criteria. The debt covenant related to limitation on indebtedness remained suspended as of the date of the authorisation of the financial statements. The Group has also satisfied all other debt covenants prescribed in the terms of bank loan.  The other loans do not carry any debt covenant. |

**Covid-19 commentary**

Entities may obtain additional financing, amend the terms of existing debt agreements or obtain waivers if they no longer satisfy debt covenants. In such cases, they will need to consider the guidance provided in Ind AS 109 to determine whether any changes to existing contractual arrangements represent a substantial modification or, potentially, a contract extinguishment, which would have accounting implications in each case.

Guarantees

Where guarantees are issued by governments for a below market rate fee, entities will have to assess whether this constitutes a government grant to be accounted for and disclosed in accordance with Ind AS 20 (Refer to Note 2.3(f). In performing such an assessment, entities will need to consider the level of the interest rate offered to the borrower on the guaranteed loan and whether the economics of the overall transaction are providing a benefit to the lender, the borrower or to both. For example, if a benefit to a lender from a below market-rate fee on a guarantee is required to be partially offset by a reduction in the interest earned on the loan to the borrower, the value of any government grant to the lender may be reduced or eliminated. In such a case, the value of the grant accrues mainly to the borrower in the form of a below market-rate loan relative to the borrower’s credit risk.

Where such guarantees are provided at below market rates by holding companies or other group entities, the initial benefit provided may need to be accounted for as an equity transaction between group entities.

1. Other financial liabilities

|  | 31 March 2021 | 31 March 2020 |
| --- | --- | --- |
|  | INR Lacs | INR Lacs |
| **Financial liabilities at fair value through OCI** |  |  |
| Cash flow hedges |  |  |
| Foreign exchange forward contracts | 306 | 457 |
| Commodity forward contracts | 1,764 | - |
| **Total financial liabilities at fair value through OCI** | **2,070** | **457** |
|  |  |  |
| **Financial liabilities at fair value through profit or loss** |  |  |
| Contingent consideration (Note 36) | 1,930 | - |
| Fair value hedges |  |  |
| Interest rate swaps | 62 | - |
| Derivatives not designated as hedges |  |  |
| Foreign exchange forward contracts | 1,296 | - |
| Embedded derivatives | 1,408 | - |
| **Total financial liabilities at fair value through profit or loss** | **4,696** | **-** |
|  |  |  |
| **Other financial liabilities at amortised cost** |  |  |
| Financial guarantee contracts | 157 | 88 |
| Current maturity of long-term loans (refer note 14) | 2,540 | 133 |
| **Total other financial liabilities at amortised cost** | **2,697** | **221** |
|  |  |  |
| **Total other financial liabilities** | **9,463** | **678** |
|  |  |  |
| **Total current** | **8,012** | **678** |
| **Total non-current** | **1,451** | **-** |

|  |
| --- |
| **Financial liabilities at fair value through OCI**  Financial liabilities at fair value through OCI reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in GBP. Financial liabilities at fair value through OCI also include the change in fair value of commodity forward contracts contracted during 31 March 2021. The Group is exposed to changes in the price of copper on its forecast copper purchases. The forward contracts do not result in physical delivery of copper but are designated as cash flow hedges to offset the effect of price changes in copper. The Group hedges approximately 45% of its expected copper purchases in the next reporting period. The remaining volume of copper purchases is exposed to price volatility. |
| **Contingent consideration**  As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. This consideration is dependent on the profit before tax of Extinguishers Limited during a 12-month period. The fair value of the contingent consideration at the acquisition date was INR 1,285 lacs. The fair value increased to INR 1,930 lacs as at 31 March 2021 due to a significantly enhanced performance compared to budget. The contingent consideration is due for final measurement and payment to the former shareholders on 31 October 2021.  **Interest rate swap**  The Group had an interest rate swap agreement whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate secured loan. The decrease in fair value of the interest rate swap has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in 2020 was immaterial.  **Foreign exchange forward contracts**  While the Group entered into other foreign exchange forward contracts with the intention of reducing the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.  **Embedded derivatives**  The Group entered into long-term sale contracts with customers in US. The functional currency of the customer is USD. The selling prices in these contracts are fixed and set in Canadian dollars (CAD). These contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyers’ expected sale requirements. The contracts have embedded foreign exchange derivatives that are required to be separated.  The Group also entered into various purchase contracts for brass and chrome (for which there is an active market) with a number of suppliers in South Africa and Russia. The prices in these purchase contracts are linked to the price of electricity. The contracts have embedded commodity swaps that are required to be separated. The embedded foreign currency and commodity derivatives have been separated and are carried at fair value through profit or loss. |

**Break up of financial liabilities carried at amortised cost**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR lacs** | **INR lacs** |
| Borrowings (non-current) (note 14) | 39,865 | 41,963 |
| Non-current lease liabilities (note 42) | 4,871 | 4,595 |
| Borrowings (current) (note 14) | 1,739 | 4,770 |
| Current maturity of long-term loans (note 14) | 2,540 | 133 |
| Current lease liabilities (note 42) | 819 | 753 |
| Trade payables (note 20A) | 27,866 | 30,168 |
| Other Payables (Note 20B) | 3,376 | 3,173 |
| **Total financial liabilities carried at amortised cost** | **81,076** | **85,555** |

1. Provisions

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Assurance-type Warranties | Restructuring | Decommissioning | Onerous contract | Contingent liability  (Note 43) | Total |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| **At 1 April 2020** | **315** | - | - | - | - | **315** |
| Acquisition of a subsidiary (Note 36) | - | 900 | 2,160 | 720 | 684 | **4,464** |
| Arising during  the year | 385 | 47 | - | - | 36 | **468** |
| Utilised | (122) | (104) | - | (36) | - | **(262)** |
| Unused amounts reversed | (11) | (11) | - | - | - | **(22)** |
| Unwinding of discount and changes in the discount rate | 7 | 21 | 38 | 11 | - | **77** |
| **At 31 March 2021** | **574** | **853** | **2,198** | **695** | **720** | **5,040** |
| Current | 256 | 185 | - | 369 | 720 | **1,530** |
| Non-current | **318** | **668** | **2,198** | **326** | **-** | **3,510** |

|  |  |  |
| --- | --- | --- |
|  | Assurance type warranties | Total |
|  | INR Lacs | INR Lacs |
| **At 1 April 2019** | **180** | **180** |
| Arising during the year | 135 | 135 |
| **At 31 March 2020** | **315** | **315** |
| Current | 176 |  |
| Non-current | 139 |  |

|  |
| --- |
| **Assurance type warranties**  A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold. |
| **Restructuring**  Extinguishers Limited recorded a restructuring provision prior to the Group’s acquisition. The provision relates principally to the elimination of certain of its product lines. The restructuring plan was drawn up and announced to the employees of Extinguishers Limited in April 2020 when the provision was recognised in its financial statements. The restructuring is expected to be completed by 31 March 2023. |
| **Decommissioning**  A provision has been recognised for decommissioning costs associated with a factory owned by Extinguishers Limited. The Group is committed to decommissioning the site as a result of the construction of the manufacturing facility for the production of fire-retardant fabrics. |
| **Onerous contract**  On acquisition of Extinguishers Limited, a provision was recognised for the fact that the agreed upon lease payments on the lease were significantly higher than the market rate at acquisition. The provision has been calculated based on the difference between the market rate and the rate paid. |

1. Government grants

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| **At 1 April** | **2,792** | **2,610** |
| Received during the year | 5,311 | 1,156 |
| Released to the statement of profit and loss | (1,895) | (974) |
| **At 31 March** | **6,208** | **2,792** |
|  |  |  |
|  |  |  |
| Current | 268 | 272 |
| Non-current | 5,940 | 2,520 |
|  | **6,208** | **2,792** |

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

Covid-19 commentary

In an attempt to mitigate the impact of the Covid-19 pandemic, governments in many countries have introduced measures to aid entities. These measures include direct subsidies, tax exemptions, tax reductions and credits, extended expiry period of unused tax losses, reduction of public levies, rental reductions or deferrals and low interest loans. Whilst some of these measures meet the definition of government grants under Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance, others do not. Accordingly, entities should analyse all facts and circumstances carefully to apply the appropriate relevant accounting standards which may include, for instance, Ind AS 109 Financial Instruments, Ind AS 12 Income Taxes, Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets and Appendix C to Ind AS 37 Levies.

Ind AS 20 requires entities to disclose the following information:

• The accounting policy adopted for government grants, including methods of presentation adopted in the financial statements

• The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited

• Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

1. Contract liability

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Installation services (i) | **332** | **200** |
| Arising from customer loyalty programme (ii) | **1,828** | **1,868** |
| **Total** | **2,160** | **2,068** |
| Current | 272 | 229 |
| Non-current | 1,888 | 1,839 |

|  |
| --- |
| 1. Revenue relating to Installation services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the installation services at the time of the initial sales transaction and is released over the service period. 2. A contract liability arises in respect of the Group's Good-Points Scheme as these points provide a benefit to customers that they would not receive without entering into a purchase contract and the promise to provide loyalty points to the customer is therefore a separate performance obligation. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. |

**Good-Points transactions**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| At 1 April | **1,868** | **1,575** |
| Deferred during the year | **568** | **583** |
| Recognised as revenue during the year | **(608)** | **(290)** |
| **At 31 March** | **1,828** | **1,868** |
| Current | 132 | 119 |
| Non-current | 1,696 | 1,749 |

1. Income tax

The major components of income tax expense for the years ended 31 March 2021 and 31 March 2020 are:

**Consolidated statement of profit and loss:**

*Profit or loss section*

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Current income tax: |  |  |
| Current income tax charge | 5,288 | 4,658 |
| Adjustments in respect of current income tax of previous year | (32) | (79) |
| Deferred tax: |  |  |
| Relating to origination and reversal of temporary differences | 421 | (560) |
| **Income tax expense reported in the statement of profit and loss** | **5,677** | **4,019** |

*OCI section*

Deferred tax related to items recognised in OCI during in the year:

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Net (gain)/loss on revaluation of cash flow hedges | 477 | (16) |
| Net (gain)/loss on revaluation of cost of cash flow hedges | 17 | - |
| Unrealised (gain)/loss on FVTOCI debt instruments | 27 | (2) |
| Unrealised loss on FVTOCI equity instruments | 5 | - |
| Net gain on revaluation of land and buildings | (457) | - |
| Net share of profit/loss of an investment in associate | - | - |
| Net gain on hedge of net investment | (149) | - |
| Net loss/(gain) on remeasurements of defined benefit plans | (202) | 209 |
| **Income tax charged to OCI** | **(282)** | **191** |

|  |
| --- |
| **Authors’ note**  Deferred taxes related to the revaluation of land and buildings have been calculated on the basis of recovery by sale at the tax rate of the jurisdiction in which they are located (30% of the total revaluation of INR 15,22,80,000, see Note 14). For simplicity, it is assumed that tax rate applicable in India is 30% |

**Reconciliation of tax expense and the accounting profit multiplied by India’s domestic tax rate for 31 March 2020 and 31 March 2021:**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| Accounting profit before tax from continuing operations | 19,996 | 14,649 |
| Profit/(loss) before tax from a discontinued operation | 383 | (347) |
| **Accounting profit before income tax** | **20,379** | **14,302** |
| At India’s statutory income tax rate of 30% (31 March 2020: 30%) | 6,113 | 4,290 |
| Adjustments in respect of current income tax of previous years | (32) | (79) |
| Government grants exempted from tax | (567) | (292) |
| Utilisation of previously unrecognised tax losses | (416) | (160) |
| Share of results of associates and joint ventures | (563) | (553) |
| Non-deductible expenses for tax purposes: |  |  |
| Impairment of goodwill | 108 | - |
| Contingent consideration re-measurement (Note 36) | 193 | - |
| Impact of change in tax rate for future period\* | 14 | - |
| Effect of higher tax rates in the United States | 814 | 804 |
| **At the effective income tax rate of 27% (31 March 2020: 28%)** | **5,664** | **4,010** |
| Income tax expense reported in the statement of profit and loss | 5,677 | 4,019 |
| Income tax attributable to a discontinued operation | (13) | (9) |
|  | **5,664** | **4,010** |

\* The Group continues to pay income tax under older tax regime and have not opted for lower tax rate pursuant to Taxation Law (Amendment) Ordinance, 2019, considering the accumulated MAT credit, losses and other benefits under the Income Tax Act, 1961. The Group plans to opt for lower tax regime once these benefits are utilised which is expected by financial year ending 2024. Accordingly, deferred tax asset on temporary differences which are expected to reverse after financial year ending 2024 have been reversed in the current financial year amounting to INR 14 lacs. Accordingly, deferred tax assets have been decreased by INR 14 and the tax charge for the year have increased by INR 14 lacs.

|  |
| --- |
| **Author’s Note**  **In case where the Group would have opted for lower tax rate, the disclosure would be given as follows;**  The Group elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Group has recognised Provision for Income Tax for the year and re-measured its Deferred tax asset (or/and deferred tax liability) basis the rate prescribed in the said section. Accordingly, deferred tax asset (or/and deferred tax liability) have reduced by INR xxxx. The tax charge or (credit) for the year have increased/ (decreased) by INR xxxx. |

**Covid-19 commentary**

Current income tax

Good Group’s taxation is based on a consistent rate of 30% for both 2020 and 2019.

As a measure to assist entities during the Covid-19 pandemic, economic stimulus packages in some jurisdictions have included income tax concessions and other rebates. If entities are active in such a jurisdiction, the following disclosures may also be impacted:

• An explanation of changes in the applicable tax rate compared to the prior period

• The amount and expiry date of any tax losses carried forward

• The nature of evidence supporting the recognition of deferred tax assets when the entity has suffered a loss in the current period

Business disruption resulting from the Covid-19 pandemic may lead to an entity recognising asset impairments or forecasting future losses. These circumstances may introduce new uncertainties that an entity must consider in its analysis of the recoverability of deferred tax assets. Entities should update their projections of income for recent events. Tax losses that were otherwise expected to be utilised in the near term should be reviewed to determine if they might expire unutilised and how this would impact management's judgement on the amount of deferred tax asset to be recognised. Entities should further

consider whether they need to provide additional financial statement disclosures to more fully explain the use of estimates or management's judgement in reaching its conclusions on the amount of unrecognised deferred tax assets.

Entities should also consider the disclosure of any significant judgements or estimates made when determining the appropriate accounting for the matters described above. Such judgements may include whether the tax laws were substantively enacted as of the reporting date, and the determination of the accounting for income tax credits.

In applying judgement, entities should consider Appendix C to Ind AS 12 Uncertainty over Income Tax Treatments. Although Appendix C to Ind AS 12 was not specifically developed to deal with a scenario such as the covid-19 pandemic, it, nonetheless, provides helpful guidance to consider in accounting for the uncertainties that exist with respect to the application of complex tax legislation that was newly issued in response to the pandemic. It requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity concludes that the position is not probable of being accepted, the effect of the uncertainty needs to be reflected in the entity’s accounting for income taxes.

**Deferred tax**

| **Deferred tax relates to the following:** | **Consolidated Balance Sheet** | | **Consolidated  statement of profit and loss** | |
| --- | --- | --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Accelerated depreciation for tax purposes | (5,109) | (1,590) | 904 | (247) |
| Revaluations of land and buildings to fair value | (2,851) | (2,560) | (166) | (162) |
| Revaluations of FVTOCI investments to fair value | 31 | (2) | - | - |
| Revaluation of a hedged loan to fair value | (20) | - | 20 | - |
| Net gain on hedge of a net investment | (149) | - | - | - |
| Share based payments | 92 | 180 | 88 | - |
| Post-employment medical benefits | 184 | 107 | (77) | (59) |
| Gratuity | 1,461 | 1,503 | (164) | 99 |
| Revaluation of an interest rate swap (fair value hedge) to fair value | 20 | - | (20) | - |
| Revaluation of cash flow hedges | 450 | 56 | - | - |
| Deferred revenue on customer loyalty programmes | 130 | 117 | (11) | (20) |
| Leases | 137 | 130 | (7) | (36) |
| Convertible preference shares | 164 | 99 | (65) | (56) |
| Losses available for offsetting against future taxable income | 689 | 657 | (32) | (79) |
| Impairment on FVTOCI debt instruments | 49 | - | (49) | - |
| **Deferred tax expense/(income)** |  |  | **421** | **(560)** |
| **Net deferred tax assets/(liabilities)** | **(4,722)** | **(1,303)** |  |  |

|  |  |  |
| --- | --- | --- |
| **Reflected in the balance sheet as follows:** |  |  |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| Deferred tax assets | 689 | 657 |
| Deferred tax liabilities: |  |  |
| Continuing operations | (5,276) | (1,960) |
| Discontinued operations | (135) | - |
| **Deferred tax liabilities, net** | **(4,722)** | **(1,303)** |

|  |  |  |
| --- | --- | --- |
| **Reconciliation of deferred tax liabilities, net** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| **Opening balance as of 1 April** | **(1,303)** | **(1,370)** |
| Tax income/(expense) during the period  recognised in profit or loss | (421) | 560 |
| Tax income/(expense) during the period  recognised in OCI | (282) | 191 |
| Discontinued operation | 4 | - |
| Deferred taxes acquired in business combinations | (2,720) | (684) |
| **Closing balance as at 31 March** | **(4,722)** | **(1,303)** |

|  |
| --- |
| **Author’s Note**  Although not specifically required by Ind AS 1 or Ind AS 12, the reconciliation of the net deferred tax liability may be helpful. As in some other disclosures included in this note, the cross reference with the amounts from which they are derived is not direct. Nevertheless, the reasonableness of each balance may be obtained from the respective notes by applying a 30% tax rate. The exception being the accelerated depreciation for tax purposes whose change during the year is mainly explained by the acquisition of Extinguishers Limited (see Note 36).  The Group 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.  The Group has tax losses which arose in India of INR 769 (31 March 2020: INR 2,156,) that are available for offsetting for eight years against future taxable profits of the companies in which the losses arose. Majority of these losses will expire in March 2026.  Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by INR 230 |
| At 31 March 2021, there was no recognised deferred tax liability (31 March 2020: INR Nil) for taxes that would be payable on the unremitted earnings of certain of the Group’s subsidiaries, associate or joint venture. The Group has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The parent does not foresee giving such a consent being given at the reporting date. Furthermore, the Group’s joint venture will not distribute its profits until it obtains the consent from all venture partners. |
| The temporary differences associated with investments in subsidiaries, associate and joint venture, for which a deferred tax liability has not been recognised, aggregate to INR 3,141 (31 March 2020: INR 2,624). |
| During the year ended 31 March 2021 and 31 March 2020, the parent company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities except in case of 31 March 2021. The group believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity. |

**Author’s Note**

Ind AS 1.61 requires an entity to separately disclose the line items that are included in the amount expected to be recovered or settled both within 12 months and more than 12 months after the reporting date for each line item that combines such amounts. Deferred tax assets and liabilities may be considered one example for items combining such amounts. However, Ind AS 1.56, in contrast, does not permit to present deferred tax items as current.

1. Trade and other payables

A. Trade payables

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Trade payables |  |  |
| * total outstanding dues of micro enterprises and small enterprises (refer note 20 C for details of dues to micro and small enterprises) | 42 | 12 |
| * total outstanding dues of creditors other than micro enterprises and small enterprises | 27,824 | 30,156 |
|  | 27,866 | 30,168 |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Trade payables | 27,794 | 30,128 |
| Related parties | 72 | 40 |
|  | **27,866** | **30,168** |

**B. Other payables**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | INR lacs | INR lacs |
| Other payables | 3,299 | 2,689 |
| Interest payable | 78 | 484 |
|  | **3,377** | **3,173** |

Terms and conditions of the above financial liabilities:

* Trade payables are non-interest bearing and are normally settled on 60-day terms
* Other payables are non-interest bearing and have an average term of six months
* Interest payable is normally settled quarterly throughout the financial year
* For terms and conditions with related parties, refer to Note 44

For explanations on the Group’s credit risk management processes, refer to Note 49.

|  |  |  |
| --- | --- | --- |
| **C. Details of dues to micro and small enterprises as defined under the MSMED Act, 2006** | | |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR lacs** | **INR lacs** |
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year |  |  |
| Principal amount due to micro and small enterprises | 42 | 12 |
| Interest due on above | - | - |
|  | 42 | 12 |
|  |  |  |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR lacs** | **INR lacs** |
| The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | 1 | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006. | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006 | - | - |
|  | | | |
| **Authors’ note**  According to Part III of Guidance Note on Division II of Schedule III of the Companies Act, 2013 - General Instructions for Preparation of Consolidated Financial Statements, Disclosures required as per the MSMED Act, 2006 are not relevant at CFS level and hence, may be dispensed with. | | | |

1. Discontinued operations

On 1 October 2020, the Group publicly announced the decision of its Board of Directors to sell the shares of H Limited, a wholly owned subsidiary, to shareholders of Illustration (India) Limited (the Company). At 31 March 2021, H Limited was classified as a disposal group held for sale to equity holders of the parent and as a discontinued operation. The business of H Limited represented the Group’s Rubber Equipment operating segment until 1 October 2020. Being a discontinued operation, that segment is no longer presented in the segment note. On 14 November 2020, the shareholders of the Company approved the plan to sell. The sale of H Limited is expected to be completed by 28 May 2021.

**The results of H Limited for the year are presented below:**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Revenue from contract with customers | 77,056 | 81,371 |
| Expenses | (75,530) | (80,784) |
| Finance costs | (945) | (934) |
| Impairment loss recognised on the re-measurement to fair value less costs to sell | (198) | - |
| **Profit/(loss) before tax from a discontinued operation** | **383** | **(347)** |
| Tax (expenses)/income: |  |  |
| Related to current pre-tax profit/(loss) | 9 | 9 |
| Related to measurement to fair value less costs of disposal (deferred tax) | 4 | - |
| **Profit/(loss) for the year from a discontinued operation** | **396** | **(338)** |

**The major classes of assets and liabilities of H Limited classified as held for sale to equity holders of the parent as at 31 March 2021 are, as follows:**

|  | **31 March 2021** | **31 March 2020** |
| --- | --- | --- |
|  | **INR Lacs** | **INR Lacs** |
| Assets |  |  |
| Intangible assets (Note 5) | 243 | - |
| Property, plant and equipment (Note 3) | 8,347 | - |
| Trade receivable | 12,564 | - |
| Equity shares – unquoted | 914 | - |
| Cash and cash equivalents (Note 10) | 2,329 | - |
| **Assets classified as held for sale** | **24,397** | **-** |
|  |  |  |
| Liabilities |  |  |
| Trade payable | (13,034) | - |
| Deferred tax liability | (135) | - |
| Borrowings (Note 14) | (10,456) | - |
| **Liabilities directly associated with assets classified as held for sale** | **(23,625)** | **-** |
| **Net assets directly associated with disposal group** | **772** | - |
| **Amounts included in accumulated OCI:** |  |  |
| FVTOCI reserve | 119 | - |
| Deferred tax on FVTOCI reserve | (36) | - |
| **Reserve of disposal group classified as held for sale** | **83** | - |
|  |  |  |
| **The net cash flows incurred by H Limited are, as follows:** |  |  |
| Operating | (1,999) | 3,293 |
| Investing | - | - |
| Financing | (436) | (436) |
| **Net cash (outflow)/inflow** | **(2,435)** | **2,857** |

|  |  |  |
| --- | --- | --- |
| Earnings per share: | 31 March 2021 | 31 March 2020 |
| Basic, profit/(loss) for the year from discontinued operation | INR 0.01 | (INR 0.01) |
| Diluted, profit/(loss) for the year from discontinued operation | INR 0.01 | (INR 0.01) |

Interest-bearing liabilities comprise a fixed rate bank loan of INR 10,456 having an effective interest rate of 7.5% that is repayable in full on 31 March 2023.

**Author’s Note**

Ind AS 105 specifies certain disclosures required in respect of discontinued operations and non-current assets held for sale. Ind AS 105.5B states that the requirements of other standards do not apply to discontinued operations, unless the other standards specify disclosures that are applicable to them.

In Ind AS 112.B17, the standard further clarified that disclosures specified in Ind AS 112.B10-B16 are not required when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified as held for sale in accordance with Ind AS 105. However, it remains silent as to the other disclosures beyond Ind AS 112.B10-B16. The Group has taken the view that in light of Ind AS 105.5B, there is no requirement to provide any other Ind AS 112 disclosures, since Ind AS 112 does not explicitly require such disclosures, and it considers in this particular case that the disclosures made, in accordance with Ind AS 105, provide users with the relevant information.

Ind AS 33.68A provides an option to present the earnings per share from discontinued operations in either on the face of the statement of profit or loss or in the notes. The Group has opted to present the earnings per share from discontinued operations both on the face of statement of profit and loss and in the notes.

Write-down of property, plant and equipment: Immediately before the classification of H Limited as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, a write-down of INR 198 (net of tax INR 139) was recognised on 1 October 2020 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the statement of profit or loss. Fair value hierarchy disclosure is provided in Note 48.

As at 31 March 2021, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs of disposal.

The discontinued operation includes an investment in unquoted equity shares (Level 3 in the fair value hierarchy) of Test Ltd with a carrying amount of INR 914. The collaboration with Test Ltd is closely related with the discontinued operation of H Limited and was therefore reclassified as part of the discontinued operation. These are classified as an FVTOCI financial asset and carried at fair value through OCI. The Group did not pledge the financial asset nor receive any collateral for it. As at the reporting date, the carrying amount equals the fair value of the instrument. For details on the recognition, measurement valuation techniques and inputs used for these assets, refer Note 2, 47 and 48.

**Reconciliation of fair value measurement of the investment in unquoted equity shares:**

|  |  |
| --- | --- |
|  | **INR Lacs** |
| **Opening balance as at 1 April 2019** | 914 |
| Sales | — |
| Purchases | — |
| Total gains and losses recognised in OCI | - |
| **Opening balance as at 1 April 2020 and 1 October 2020** | **914** |
| Sales | — |
| Purchases | — |
| Total gains and losses recognised in OCI | — |
| **Closing balance as at 31 March 2021** | **914** |

|  |
| --- |
| There were no gains or losses recognised in profit or loss or in OCI with respect to these assets. Furthermore, the Group did not recognise any gain or loss in OCI, as the valuation of the equity instrument as of 31 March, 2021 did not differ significantly from last year’s valuation.  Refer to Note 48 for details on the nature and extent of risks arising from financial instruments |
| **Commentary**  Ind AS 105.5B clarifies that disclosure requirements in other Ind ASs do not apply to non-current assets held for sale (or disposal groups) unless those Ind ASs explicitly refer to these assets and disposal groups. However, Ind AS 105.5B(b) states that disclosure requirements continue to apply for assets and liabilities that are not within the scope of the measurement requirements of Ind AS 105, but within the disposal group. The illustration above reflects this circumstance, as the unquoted equity instrument is a financial instrument as defined in Ind AS 109 and is, therefore, scoped out of the measurement requirements of Ind AS 105.  Whilst, the assets of discontinuing operations are non-recurring under Ind AS 113.93(a), financial assets of the discontinuing operations are recurring since they are required to be measured at fair value at the end of each reporting period |

1. Revenue from contracts with customers

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| **Sale of products** |  |  |
| Sale of goods | 2,88,993 | 2,56,231 |
| Revenue from redemption of Good Points | 2,475 | 1,261 |
| **Total sale of products** | **2,91,468** | **2,57,492** |
|  |  |  |
| Rendering of services | 30,836 | 28,433 |
| **Total revenue from contract with customers** | **3,22,304** | **2,85,925** |

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations are INR 22,328 Lacs (2019-20: 21,398). The management expects that 60% of the transaction price allocated to unsatisfied contracts as of March 2021 will be recognised in FY 2021-22 i.e. INR 13,397 (2019-20: in FY 2022-23 i.e. 12,907) and balance will be recognised in FY 2022-23 i.e. INR 8,931 (2019-20: in FY 2023-24 i.e. 8,491).

**Author’s Note**

As a practical expedient provided in Ind AS 115.121, an entity can decide not to disclose the amount of the remaining performance obligations for contracts with original expected duration of less than one year or those that meet the requirements of the right to invoice practical expedient in Ind AS 115.B16. If an entity uses this practical expedient, it is required to qualitatively disclose that fact.

The Group used a quantitative approach to disclose information about remaining performance obligations. The Group did not use any practical expedients available in Ind AS 115.

Set out below is the disaggregation of the Group's revenue from contracts with customers and reconciliation to profit or loss account:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Segments** | **For the year ended 31 March 2021** | | | |
| **Fire prevention equipment** | **Electronics** | **Investment properties** | **Total** |
| **Type of goods or service** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Sale of fire prevention equipment | 1,86,795 | - | **-** | 1,86,795 |
| Sale of electronics equipment | - | 1,04,673 | **-** | 1,04,673 |
| Installation services | 30,836 | **-** | **-** | 30,836 |
| Income from investment properties | **-** | **-** | 2,527 | 2,527 |
| **Total revenue from contracts with customers** | **2,17,631** | **1,04,673** | **2,527** | **3,24,831** |
| **Geographical markets** |  |  |  |  |
| India | 1,75,631 | 82,793 | 2,527 | **2,60,951** |
| Outside India | 42,000 | 21,880 | **-** | **63,880** |
| **Total revenue from contracts with customers** | **2,17,631** | **1,04,673** | **2,527** | **3,24,831** |
| **Timing of revenue recognition** |  |  |  |  |
| Goods transferred at a point in time | 1,86,795 | 1,04,673 | 2,527 | **2,93,995** |
| Services transferred over time | 30,836 | - | **-** | 30,836 |
| **Total revenue from contracts with customers** | **2,17,631** | **1,04,673** | **2,527** | **3,24,831** |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Segments** | **For the year ended 31 March 2020** | | | |
| **Fire prevention equipment** | **Electronics** | **Investment properties** | **Total** |
| **Type of goods or service** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Sale of fire prevention equipment | 1,60,562 | - | **-** | 1,60,562 |
| Sale of electronics equipment | - | 96,929 | **-** | 96,929 |
| Installation services | 28,433 | **-** | **-** | 28,433 |
| Income from investment properties | **-** | **-** | 2,479 | 2,479 |
| **Total revenue from contracts with customers** | **1,88,995** | **96,929** | **2,479** | **2,88,403** |
| **Geographical markets** |  |  |  |  |
| India | **1,53,988** | 75,723 | 2,479 | **2,24,523** |
| Outside India | 35,007 | 21,206 | **-** | **63,880** |
| **Total revenue from contracts with customers** | **1,88,995** | **96,929** | **2,479** | **2,88,403** |
| **Timing of revenue recognition** |  |  |  |  |
| Goods transferred at a point in time | **1,59,228** | 96,929 | 2,479 | **2,58,636** |
| Services transferred over time | 29,767 | - | **-** | 29,767 |
| **Total revenue from contracts with customers** | **1,88,995** | **96,929** | **2,479** | **2,88,403** |

|  |  |  |
| --- | --- | --- |
| Significant changes in contract asset and contract liability during the period are as follows | | |
|  |  |  |
|  | **2020-21** | **2019-20** |
| Contract Assets (including right of return assets) | 4,698 | 4,945 |
| Contract Liabilities (including refund liabilities) | 4,464 | 4,493 |
| **Revenue recognised in the period from:** |  |  |
| Amounts included in contract liability at the beginning of the period | 3,819 | 2,580 |
| Performance obligations satisfied in previous years | 3,709 | 2,678 |

We receive payments from customers based on a billing schedule, as established in our contracts. Contract asset relates to our conditional right to consideration for our completed performance under the contract. Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract.

Author’s Note

Ind AS 115.116 requires the disclosure of the opening balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed.

The entity may disclose its receivables arising from contracts with customers separately from other receivables. It will be necessary for entities that have material receivables from non-Ind AS 115 contracts to separate these balances for disclosure purposes. For example, an entity may have accounts receivable relating to leasing contracts that would need to be disclosed separately from accounts receivable related to contracts with customers.

Ind AS 115.116 also requires disclosure of ‘revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period’ and ‘revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods’. Entities can also present this in a tabular or narrative format.

The Group provided qualitative and quantitative disclosures of its contact balances and changes on those balances during the period. Entities are permitted to disclose information about contract balances, and changes therein, as they deem to be most appropriate, which would include a combination of tabular and narrative information.

**Movement in Contract Assets (Current)**

|  |  |  |
| --- | --- | --- |
|  | **2020-21** | **2019-20** |
| Contract Assets at the beginning of the year | 4,945 | 4,120 |
| Transfers from contract assets recognised at the beginning of the period to receivables and increase/ (decrease) as a result of changes in the measure of progress | (247) | 825 |
| Contract assets as at 31 March | 4,698 | 4,945 |

**Movement in Contract Liabilities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Current** | | **Non-current** | |
|  | **2020-21** | **2019-20** | **2020-21** | **2019-20** |
| Contract liability at the beginning of the year | 2,654 | 3,093 | 1,839 | 347 |
| Increase due to cash received and decrease as a result of changes in the measure of progress, change in estimate | (1,114) | (463) | 41 | 1,486 |
| Changes due to reclassification from deferred income | 1,036 | 24 | 8 | 6 |
| Contract assets as at 31 March | 2,576 | 2,654 | 1,888 | 1,839 |

Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

|  |  |  |
| --- | --- | --- |
| Particulars | 2020-21 | 2019-20 |
| Revenue as per Contract | 3,70,001 | 3,20,904 |
| Adjustments |  |  |
| Extended warranties | (1,210) | (1,101) |
| Loyalty points | (1,010) | (856) |
| Sales return | (24,277) | (12,988) |
| Discount | (21,200) | (20,034) |
| Revenue from contract with customers | 3,22,304 | 2,85,925 |

Performance obligation - Information about the Group’s performance obligations are summarised below:

Fire prevention equipment

The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery.

The performance obligation to deliver fire prevention equipment with a manufacturing lead time of two years has two alternative payment options. The customer can pay the transaction price equal to the cash selling price upon delivery of the equipment or pay a lower transaction price upon signing the contract. There is a significant financing component for those contracts where the customer elected to pay in advance.

In some contracts, a one-year warranty beyond fixing the defects that existed at the time of sale is provided to customers. The warranty is accounted for as a separate performance obligation and a portion of the transaction price is allocated. The performance obligation for the warranty service is satisfied over one-year based on time elapsed.

Electronics equipment

The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Customers are entitled to loyalty points which results in allocation of a portion of the transaction price to the loyalty points. Revenue is recognised when the points are redeemed.

In addition, the Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

Installation services

The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.

Procurement services

There are contracts with customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers. The Group is acting as agent in these arrangements. The performance obligation is satisfied and payment is due upon receipt of the equipment by the customer.

|  |  |
| --- | --- |
| **Commentary**  Ind AS 115 requires an entity to provide more descriptive information about its performance obligations. Ind AS 115.119 requires an entity to include a description of all of the following:   * When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement * The significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the amount of consideration is variable and whether the estimate of variable consideration is typically constrained in accordance with Ind AS 115.56-58) * The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent) * Obligations for returns, refunds and other similar obligations * Types of warranties and related obligations   The Group provided this required information in this section of the notes for illustrative purposes. Most of this information is also included in the disclosure of significant accounting policies. This is one way that entities can comply with the disclosure requirement of Ind AS 115.119. Entities may also decide to disclose this required information as part of its disclosure of significant accounting policies. |  |

Covid-19 commentary

Entities may need to use significant judgement to determine the effect of uncertainties related to the Covid-19 pandemic on their revenue accounting, e.g., estimates of variable consideration (including the constraint) and provide appropriate disclosures of these judgements. Decisions made in response to the outbreak (e.g., modifying contracts, continuing transacting with customers despite collectability concerns, revising pricing) may need to be disclosed. Entities may also need to consider the impact of delays in deliveries due to lockdowns and the impact of volume rebate estimations due to lower sales during the year.

1. Other income

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| **Other non-operating income** |  |  |
| Government grants (Note 17) | 1,895 | 974 |
| Fair value gain on financial instruments at fair value through profit or loss | 1,530 | - |
| Net gain on disposal of property, plant and equipment | 958 | 3,612 |
|  | **4,383** | **4,586** |

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

Net gain on financial instruments at fair value through profit or loss relate to foreign exchange forward contracts that did not qualify for hedge accounting and embedded derivatives, which have been separated.

No ineffectiveness has been recognised on foreign exchange and interest rate hedges.

1. Finance income

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Interest income on a loan to an associate | 36 | - |
| Interest income from FVTOCI debt investments | 569 | 380 |
|  | **605** | **380** |

1. Cost of raw material and components consumed
2. **Raw material and traded goods**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Inventory at the beginning of the year | 12,845 | 14,384 |
| Add: Purchases | 1,47,778 | 1,45,741 |
|  | **1,60,542** | **1,60,125** |
| Less: inventory at the end of the year | 9,432 | 12,845 |
| Cost of raw material and components consumed | **1,51,191** | **1,47,280** |

1. **Cost of traded goods sold**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Inventory at the beginning of the year | - | - |
| Add: Purchases | 73,215 | 38,758 |
|  | **73,215** | **38,758** |
| Less: inventory at the end of the year | - | - |
| **Cost of traded goods sold** | **73,215** | **38,758** |

1. Employee benefits expense

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Salaries, wages and bonus | 50,505 | 69,781 |
| Contribution to provident and other funds | 5,607 | 5,646 |
| Employee stock option scheme (Note 41) | 742 | 885 |
| Gratuity expense (Note 40) | 2,791 | 2,482 |
| Staff welfare expenses | 234 | 232 |
|  | **59,879** | **79,026** |

“The Code on Social Security 2020, which received the Presidential assent on 28 September 2020, subsumes nine laws relating to social security, retirement and employee benefits, including the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the Payment of Gratuity Act, 1972. The effective date of the Code is yet to be notified and related rules are yet to be framed. Depending on the effective date, there may be impact in the current year.”

Author’s Note

The Code on Social Security, 2020 (‘Code) amended and consolidated the laws with the goal to extend social security to all employees and workers either in the organised or unorganised or any other sectors Code. Also, the definition of “Wages” is broadly similar to the earlier definition in EPF Act, however, if excluded components (other than retirement benefits like gratuity) exceed 50% of remuneration or such other per cent. as may be notified by the Central Government, then the amount in excess of 50% or such other per cent will be deemed as remuneration and shall be added in “wages”.

The changes include but not limited to Payment of Gratuity to fixed term employees on a pro rate basis, even if they have not rendered services for qualifying period, welfare schemes for unorganised workers, gig workers and platform workers.

The changes brought about by the reforms may have an impact on the financial statements of the entity. However, whether the impact will be prospective or retrospective, is not yet clear. The rules relating to the Code are yet to be framed.

Considering the fact that as on the date of signing of the financial statements, the laws are not operationalised and hence there is no obligation to account for additional impact (if any), the company may choose to give the aforesaid disclosure (as in Note 26 above). Impact, if any, will have to be assessed once the effective date is notified.

1. Depreciation and amortization expense

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Depreciation of tangible assets (note 3) | 6,835 | 5,548 |
| Amortization of intangible assets (note 5) | 225 | 313 |
| Depreciation on Investment Properties (note 4) | 551 | 540 |
| Depreciation of Right-of-use assets (note 42) | 781 | 740 |
|  | **8,392** | **7,141** |

1. Other expenses

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Consumption of stores and spares | 461 | 225 |
| Consumption of loose tools | 292 | 115 |
| Sub-contracting expenses | 781 | 405 |
| Customer service expenditure | 58 | 38 |
| Power and fuel | 717 | 547 |
| Water charges | 261 | 189 |
| Freight and forwarding charges | 707 | 526 |
| Expenses relating to leases of low value assets (Note 42) | 32 | 31 |
| Expenses relating to short-term leases (Note 42) | 40 | 38 |
| Variable lease payments (Note 42) | 128 | 119 |
| Rates and taxes | 276 | 189 |
| Insurance | 279 | 169 |
| Repairs and maintenance |  |  |
| Plant and machinery | 140 | 85 |
| Buildings | 94 | 61 |
| Others | 40 | 16 |
| CSR expenditure (Refer details below) | 409 | 320 |
| Advertising and sales promotion | 421 | 277 |
| Brokerage and discounts | 171 | 115 |
| Sales Commission | 185 | 149 |
| Travelling and conveyance | 616 | 361 |
| Communication costs | 387 | 277 |
| Printing and stationery | 421 | 261 |
| Legal and professional fees | 184 | 97 |
| Directors’ sitting fees | 25 | 25 |
| Payment to auditor (Refer details below) | 324 | 259 |
| Provision for warranties, restructuring, etc., (net of reversals) | 446 | 135 |
| Exchange differences (net) | 22 | 38 |
| Expected credit loss for trade receivables and contract asset | 37 | 11 |
| Provision for doubtful debts and advances | 14 | 22 |
| Loss on sale of fixed assets (net) | 2 | 4 |
| Miscellaneous expenses | 491 | 1,676 |
| Fair value loss on financial instruments at fair value through profit or loss | 2,704 | - |
| Impairment of debt securities | 10 | - |
| Ineffectiveness on forward commodity contracts designated as cash flow hedges (Note 45) | 117 | - |
|  | **11,292** | **6,780** |
|  |  |  |
| **Payment to Auditors** |  |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| **As auditor:** |  |  |
| Audit fee | 243 | 188 |
| Tax audit fee | 18 | 18 |
| Limited review | 18 | 18 |
| In other capacity: | - | 9 |
| **Taxation matters** |  |  |
| Company law matters | 13 | 11 |
| Other services (certification fees) | 18 | 4 |
| Reimbursement of expenses | 14 | 11 |
|  | **324** | **259** |

**Details of CSR expenditure**

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| (a) Gross amount required to be spent by the group during the year | 409 | 320 |
| (b) Amount approved by the Board to be spent during the year | 415 | 330 |
| (c) Amount spent during the year ending on 31 March 2021 / 2020: | 409 | 320 |
| (i) Construction/acquisition of any asset | Nil | Nil |
| In cash | - | - |
| Yet to be paid in cash | - | - |
| Total | - | - |
| (ii) On purposes other than (i) above | 409 | 320 |
| In cash | 409 | 320 |
| Yet to be paid in cash | - | - |
| Total | 409 | 320 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Author’s Note**  The notes to accounts relating to CSR expenditure should also contain the following:   1. Details of related party transactions, e.g., contribution to a trust / society / section 8 company controlled by the company in relation to CSR expenditure as per Indian Accounting Standard (AS) 24, *Related Party Disclosures*. 2. The Group has not given these disclosures as it does not have any such transactions. 3. When the amendments to Section 135(5) and 135(6) to the Companies Act 2013 are made applicable, then the following details in the notes should also be made:  |  |  |  |  |  | | --- | --- | --- | --- | --- | | **In case of S. 135(5) unspent amount** | | | | | | Opening  Balance | Amount deposited in Specified  Fund of Sch. VII within 6 months | Amount required to be spent during the year | Amount spent during the year | Closing  Balance | |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | | **In case of S. 135(5) Excess amount spent** | | | | | Opening  Balance | Amount required to be spent during the year | Amount spent during the year | Closing  Balance | |  |  |  |  |   **Details of ongoing projects along with**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **In case of S. 135(6) (Ongoing Project) (to be given year-wise)** | | | | | | | | Opening Balance | | Amount required to be spent during the year | Amount spent during the year | | Closing  Balance | | | With  Company | In Separate CSR Unspent A/c |  | From Company’s  bank A/c | From Separate CSR  Unspent A/c | With  Company | In Separate CSR  Unspent A/c | |  |  |  |  |  |  |  | |  |

1. Finance costs

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Interest on debts and borrowings | 2,126 | 1,948 |
| Interest on lease liabilities (Note 42) | 320 | 333 |
| **Total interest expense** | **2,446** | **2,281** |
| Unwinding of discount and effect of changes in discount rate on provisions (Note 16) | 77 | - |
| **Total finance costs** | **2,523** | **2,281** |

1. Exceptional items

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Bid defence costs | 2,142 | - |
|  | **2,142** | **-** |

|  |
| --- |
| Bid defence costs were incurred in respect of obtaining advice in defending a hostile takeover bid by a competitor. The competitor did not proceed with the bid. |

1. Research and development costs

The Group’s electronics business research and development concentrates on the development of internet-enabled safety equipment. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred (during the year ended 31 March 2021 this was an amount of INR 40 (31 March 2020: INR 19)), and they are recognised in other expenses.

1. Components of other comprehensive income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

**During the year ended 31 March 2021**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Effective portion of cash flow hedges | Cost of cash flow hedges | Debt instruments  through  Other  Comprehensive Income | Equity instruments  through  Other  Comprehensive Income | Exchange differences on translating the financial statements of a foreign operation | Revaluation reserve | Retained earnings | Total |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Net investment hedging | - |  | - | - | 351 | - |  | **351** |
| Foreign exchange translation differences | - |  | - | - | (443) | - |  | **(443)** |
| Currency forward contracts | 355 | 7 | - | - | - | - |  | **362** |
| Commodity forward contracts | (1,111) | (41) | - | - | - | - |  | **(1,152)** |
| Reclassified to statement of profit and loss | (356) | (6) | - | - | - | - |  | **(362)** |
| Gain/(loss) on FVTOCI financial assets | - |  | (59) | (13) | - | - |  | **(72)** |
| Share of OCI of an associate |  |  | \* | - |  |  |  |  |
| Re-measurement gains (losses) on defined benefit plans |  |  |  | - |  |  | 462 | **462** |
| Revaluation of land and buildings | - |  | - | - | - | 1,066 |  | **1,066** |
|  | **(1,112)** | **(40)** | **(59)** | **(13)** | **(92)** | **1,066** | **462** | **212** |

\*The net impact of item to be reclassified and not to be reclassified is Nil for share of OCI in associate.

**During the year ended 31 March 2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Effective portion of cash flow hedges | Debt instruments  through  Other  Comprehensive Income | Exchange differences on translating the financial statements of a foreign operation | Retained earnings | Total |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Foreign exchange translation differences | - | - | (211) |  | **(211)** |
| Currency forward contracts | (477) | - | - |  | **(477)** |
| Reclassification to statement of profit and loss | 520 | - | - |  | **520** |
| Gain/(loss) on FVTOCI financial assets | - | 3 | - | - | **3** |
| Re-measurement gains (losses) on defined benefit plans | - | - | - | (491) | **(491)** |
|  | 43 | 3 | (211) | **(491)** | **(656)** |

1. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Profit attributable to equity holders of the parent: |  |  |
| Continuing operations | 13,875 | 10,200 |
| Discontinued operation | 396 | (338) |
| **Profit attributable to equity holders of the parent for basic earnings** | **14,271** | **9,862** |
| Interest on convertible preference shares | 444 | 428 |
| **Profit attributable to equity holders of the parent adjusted for the effect of dilution** | **14,715** | **10,290** |

|  |  |  |
| --- | --- | --- |
| Weighted average number of Equity shares for basic EPS\* | 38,335 | 35,215 |
| Effect of dilution: | - | - |
| Share options | 202 | 319 |
| Convertible preference shares | 1,499 | 1,499 |
| **Weighted average number of Equity shares adjusted for the effect of dilution \*** | **40,036** | **37,033** |

|  |
| --- |
| \* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year. There have been no other transactions involving Equity shares or potential Equity shares between the reporting date and the date of authorisation of these financial statements.  To calculate the EPS for discontinued operation, the weighted average number of Equity shares for both the basic and diluted EPS is as per the table above. The following table provides the profit/(loss) amount used: |

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| **Profit/(loss) attributable to equity holders of the parent from discontinued operation for the basic and diluted EPS calculations** | **396** | **(338)** |
| 1. Significant accounting judgements, estimates and assumptions   The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. | | |
| **Determining the lease term of contracts with renewal and termination options – Group as lessee** The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. | | |
| The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). | | |
| The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. | | |
| Refer to Note 42 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term. | | |
| **Property lease classification – Group as lessor**  The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases. | | |
| Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control) The Group considers that it controls Electronics Limited even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Electronics Limited with a 48% equity interest. The remaining 52% of the equity shares in Electronics Limited are widely held by many other shareholders, none of which individually hold more than 1% of the equity shares (as recorded in the company’s shareholders’ register from 1 January 2011 to 31 March 2021). Since 1 January 2011, which is the date of acquisition of Electronics Limited, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.  **Author’s Note**  Ind AS 1.22 requires an entity to disclose the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.  Ind AS 112 adds to the general requirements of Ind AS 1 by specifically requiring an entity to disclose all significant judgements and estimates made in determining the nature of its interest in another entity or arrangement, and in determining the type of joint arrangement in which it has an interest. Ind AS 112.7 requires that an entity disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining that:  - It has control of another entity  - It has joint control of an arrangement or significant influence over another entity  - The type of joint arrangement (i.e., joint operation or joint venture) when the arrangement has been structured through a separate vehicle  An entity must disclose, for example, significant judgements and assumptions made in determining that  - It does not control another entity even though it holds more than half of the voting rights of the other entity  - It controls another entity even though it holds less than half of the voting rights of the other entity  - It is an agent or principal as defined by Ind AS 110  - It does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity  - It has significant influence even though it holds less than 20 per cent of the voting rights of another entity  The Group assessed that it controls Extinguishers Limited, despite having less than a majority of the voting rights, based on the guidance under Ind AS110.B42.  The Group does not have any interest in unconsolidated structured entities. Interests in such entities require the disclosures under Ind AS 112.24-31.  Ind AS 115.123 also adds to the general requirements of Ind AS 1 by requiring an entity to disclose the judgements, and changes in the judgements, made in applying the standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity must explain the judgements, and changes in the judgements, used in determining both the timing of satisfaction of performance obligations and the transaction price and the amounts allocated to performance obligations. The following are required by Ind AS 115:  - For performance obligations that an entity satisfies over time, the entity must disclose both the method used to recognise revenue and an explanation why the methods used provide a faithful depiction of the transfer of goods or services (Ind AS 115.124).  - For performance obligations satisfied at a point in time, the entity must disclose the significant judgements made in evaluating when a customer obtains control of promised goods or services (Ind AS 115.125).  - An entity must disclose information about the methods, inputs and assumptions used to (Ind AS 115.126):  - Determine the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration  - Assess whether an estimate of variable consideration is constrained  - Allocate the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable)  - Measure obligations for returns, refunds and other similar obligations  The Group disclosed those judgements that significantly affect the determination of the amount and timing of its revenue from contracts with customers. Some of the items listed in Ind AS 115.125-126 were considered not significant to the Group and did not warrant further disclosure. Entities will need to apply judgement to ensure the information disclosed is sufficient to meet the disclosure objective. Estimates and assumptions The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.  Revaluation of property, plant and equipment  The Group measures land and buildings classified as property, plant and equipment at revalued amounts with changes in fair value being recognised in OCI. The Group engaged an independent valuation specialist to assess fair value at 31 August 2020 for revalued land and buildings. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine fair value of the property and sensitivity analyses are provided in Note 3.  Impairment of non-financial assets  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 6.  **Covid-19 commentary**  As the current environment is uncertain, it is important that entities provide detailed disclosure of the assumptions made, the evidence they are based on and the impact of a change in the key assumptions (sensitivity analysis).  Given the inherent level of uncertainty and the sensitivity of judgements and estimates, disclosures of the key assumptions used, and judgements made in estimating recoverable amounts will be important.  It is likely that the Covid-19 pandemic is a triggering event that requires an entity to perform an impairment test in accordance with IAS 36. Entities will need to assess the key assumptions used to determine the recoverable amount for the different CGUs. Key inputs to both the value in use and the fair value less cost of disposal models used to undertake the impairment assessment should be reassessed to factor in any impact.  The non-financial assets that are likely to be subject to such impairment triggers include: property, plant and equipment; intangible assets (including those with indefinite lives); goodwill; and inventories  Share-based payments  The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option**,** volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 41.  Taxes  Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.  The Group has INR 769 (31 March 2020: INR 2,156) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, expire in 8 years and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.  If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by INR 230. Further details on taxes are disclosed in Note 19.  Defined benefit plans (gratuity benefits)  The cost of the defined benefit gratuity plan and other post-employment medical benefits and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.  The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds where remaining maturity of such bond correspond to expected term of defined benefit obligation. For plans operated outside India, the management considers the interest rates of high quality corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.  The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.  Further details about gratuity obligations are given in Note 40.  Fair value measurement of financial instruments  When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 47 for further disclosures.  Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.  As part of the accounting for the acquisition of Extinguishers Limited, contingent consideration with an estimated fair value of INR 1,285 was recognised at the acquisition date and remeasured to INR 1,929 as at the reporting date. Future developments may require further revisions to the estimate. The maximum consideration to be paid is INR 2,025. The contingent consideration is classified as other financial liability  Intangible asset under development  The Group capitalises development costs for a project in accordance with the accounting policy. Initial capitalisation of costs is based on management’s judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 March 2021, the carrying amount of capitalised development costs was INR 1,759 (31 March 2020: INR 702).  This amount includes significant investment in the development of an innovative fire prevention system. Prior to being marketed, it will need to obtain a safety certificate issued by the relevant regulatory authorities. The innovative nature of the product gives rise to some uncertainty as to whether the certificate will be obtained.  Provision for decommissioning  As part of the identification and measurement of assets and liabilities for the acquisition of Extinguishers Limited in October 2020, the Group has recognised a provision for decommissioning obligations associated with a factory owned by Extinguishers Limited. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. The carrying amount of the provision as at 31 March 2021 was INR 2,198 (31 March 2020: Nil). The Group estimates that the costs would be realised in 15 years’ time upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:   * Estimated range of cost per square meter – INR 10 – INR 25 (INR 20) * Discount rate – 14%   If the estimated pre-tax discount rate used in the calculation had been 1% higher than management’s estimate, the carrying amount of the provision would have been INR 169 lower.  **Estimating variable consideration for returns and volume rebates**  The Group estimates variable considerations to be included in the transaction price for the sale of electronics equipment with rights of return and volume rebates.  The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.  The Group’s expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer’s historical rebates entitlement and accumulated purchases to date.  The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.  The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group’s past experience regarding returns and rebate entitlements may not be representative of customers’ actual returns and rebate entitlements in the future. As at 31 March 2021, the amount recognised as refund liabilities for the expected returns and volume rebates was INR 2,304 lacs (31 March 2020: INR 2,425 lacs).  **Estimating stand-alone selling price – GoodPoints loyalty programme**  The Group estimates the stand-alone selling price of the loyalty points awarded under the GoodPoints programme. The stand-alone selling price of the loyalty points issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers’ historical redemption patterns as the main input. The redemption rate is updated quarterly and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for loyalty points and customers’ preferences. The Group ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required).  As points issued under the programme do not expire, estimates of the stand-alone selling price are subject to significant uncertainty. Any significant changes in customers’ redemption patterns will impact the estimated redemption rate. As at 31 March 2021, the estimated liability for unredeemed points was INR 1,828 lacs (31 March 2020: INR 1,868 lacs). If the estimated redemption rate used had been higher by 1% than management’s estimate, the carrying amount of the estimated liability for unredeemed points as at 31 March 2021 would have been higher by INR 600 (31 March 2020: INR 400).  **Covid-19 commentary**  Given the level of uncertainty and the sensitivity of judgements and estimates, clear disclosure of the key assumptions used, and judgements made is particularly important in financial statements prepared during the Covid-19 pandemic. Entities should carefully scrutinise their existing judgements and estimates but may also find additional areas in which they will need to make judgements and estimates. | | |
|  | | |

1. Group information

**Information about subsidiaries**

The consolidated financial statements of the Group include:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Principal activities | Country of incorporation | % equity interest | | |
| Name | 31 March 2021 | 31 March 2020 |
| Extinguishers Limited | Fire prevention equipment | India | 80 | — |
| B Limited | Fire prevention equipment | India | 95 | 95 |
| Fire Equipment Test Lab Limited | Fire prevention equipment | India | 100\* | — |
| Wireworks Inc. | Fire prevention equipment | United States | 98 | 98 |
| Sprinklers Inc. | Fire prevention equipment | United States | 100 | 100 |
| Lightbulbs Limited | Electronics | India | 87.4 | 80 |
| H Limited | Rubber equipment | India | 100 | 100 |
| Electronics Limited | Electronics | India | 48 | 48 |

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| --- |
| The holding company  The next senior and the ultimate holding company of the Illustration (India) Limited is S.J. Limited which is based and listed in Mauritius. |
| Entity with significant influence over the Group  IF Limited owns 21.48% of the Equity shares in Illustration (India) Limited (31 March 2020: 21.48%,). |
| Associate  The Group has a 25% interest in P Limited (31 March 2020: 25%,). |
| Joint venture in which the Group is a joint venturer  The Group has a 50% interest in S Limited (31 March 2020: 50%). For more details, refer to Note 38.  \*See Note 34 for details on interest held in Fire Equipment Test Lab Limited. |

1. Business combinations and acquisition of non-controlling interests

Acquisitions during the year ended 31 March 2021

Acquisition of Extinguishers Limited

On 1 November 2020, the Group acquired 80% of the voting shares of Extinguishers Limited, a non-listed company based in India and specialising in the manufacture of fire retardant fabrics, in exchange for the Group’s shares. The Group acquired Extinguishers Limited because it significantly enlarges the range of products in the fire prevention equipment segment that can be offered to its clients.

The Group has elected to measure the non-controlling interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Extinguishers Limited as at the date of acquisition were:

|  |  |
| --- | --- |
|  | Fair value recognised on acquisition |
| **Assets** | **INR Lacs** |
| Property, plant and equipment (Note 3) | 12,676 |
| Right-of-use assets | 446 |
| Cash and cash equivalents | 414 |
| Trade receivables | 3,089 |
| Inventories | 5,994 |
| Patents and licences (Note 5) | 2,160 |
|  | **24,779** |
| **Liabilities** |  |
| Trade payables | (3,692) |
| Lease liabilities | (383) |
| Contract liability | (500) |
| Contingent liability (Note 42) | (684) |
| Provision for onerous contract (Note 16) | (720) |
| Provision for restructuring (Note 16) | (900) |
| Provision for decommissioning costs (Note 16) | (2,160) |
| Deferred tax liability (Note 19) | (2,720) |
|  | **(11,759)** |
| **Total identifiable net assets at fair value** | **13,020** |
| Non-controlling interests measured at fair value | (2,785) |
| Goodwill arising on acquisition (Note 6) | 4,016 |
| **Purchase consideration transferred** | **14,251** |

|  |
| --- |
| The fair value of the trade receivables amounts to INR 3,089. The gross amount of trade receivables is INR 3,157. However, none of the trade receivables is credit impaired and it is expected that the full contractual amounts can be collected. |
| **Author’s Note**  Ind AS 103.28B requires the lease liability to be measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. That is, the acquirer applies Ind AS 116’s initial measurement provisions using the present value of the remaining lease payments at the acquisition date. The right-of-use asset is measured at an amount equal to the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms. Because the off-market nature of the lease is captured in the right-of-use asset, the acquirer does not separately recognise an intangible asset or liability for favourable or unfavourable lease terms relative to market.  Prior to the acquisition, Extinguishers Limited decided to eliminate certain product lines (further details are given in Note 16). The restructuring provision recognised was a present obligation of Extinguishers Limited immediately prior to the business combination. The execution of the restructuring plan was not conditional upon it being acquired by the Group. |
| The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets. |
| The goodwill of INR 4,016 comprises the value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Goodwill is allocated entirely to the fire prevention segment. Due to the contractual terms imposed on acquisition, the customer list is not separable. Therefore, it does not meet the criteria for recognition as an intangible asset under Ind-AS 38. None of the goodwill recognised is expected to be deductible for income tax purposes. |
| A contingent liability at a fair value of INR 684 was recognised at the acquisition date resulting from a claim of a supplier whose shipment was rejected, and payment was refused by the Group due to deviations from the defined technical specifications of the goods. The claim is subject to legal arbitration and is only expected to be finalised in late 2021. As at the reporting date, the contingent liability has been re-assessed and is determined to be INR 720, based on the expected probable outcome (see Note 16 and 42). The charge to profit or loss has been recognised.  The fair value of the non-controlling interest in Extinguishers Limited, a non-listed company, has been estimated by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:   * An assumed discount rate of 14% * A terminal value calculated based on long-term sustainable growth rates for the industry ranging from 2% to 4%, which has been used to determine income for the future years * A reinvestment ratio of 60% of earnings |
| From the date of acquisition, Extinguishers Limited has contributed INR 32,143 of revenue and INR 1,350 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been INR 4,00,648 and the profit before tax from continuing operations for the Group would have been INR 22,113. |

|  |  |
| --- | --- |
| Purchase consideration | INR Lacs |
| Shares issued, at fair value | 12,965 |
| Contingent consideration liability | 1,286 |
| **Total consideration** | **14,251** |
| Analysis of cash flows on acquisition: |  |
| Transaction costs of the acquisition (included in cash flows from operating activities) | (1,080) |
| Net cash acquired with the subsidiary (included in cash flows from investing activities) | 414 |
| Transaction costs attributable to issuance of shares (included in cash flows from  financing activities, net of tax) | (58) |
| **Net cash flow on acquisition** | **(724)** |

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| The Group issued 4,500,00,000 no of Equity shares as consideration for the 80% interest in Extinguishers Limited. The fair value of the shares is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which was INR 2.881 each. The fair value of the consideration given is therefore INR 12,965 lacs. |
| Transaction costs of INR 1,080 have been expensed and are included in other expenses. The attributable costs of the issuance of the shares of INR 58 have been charged directly to equity as a reduction in **securities** premium. |
| Contingent consideration  As part of the purchase agreement with the previous owner of Extinguishers Limited, a contingent consideration has been agreed. There will be additional cash payments to the previous owner of Extinguishers Limited of:   1. INR 1,215, if the entity generates up to INR 1,800 of profit before tax in a 12-month period after the acquisition date, or 2. INR 2,025, if the entity generates INR 2,700 or more of profit before tax in a 12-month period after the acquisition date   As at the acquisition date, the fair value of the contingent consideration was estimated to be INR 1,286. The fair value is determined using DCF method. |

Significant unobservable valuation inputs are provided below:

|  |  |
| --- | --- |
| Assumed probability-adjusted profit before tax of Extinguishers Limited | INR 1,800 - INR 2,700 |
| Discount rate | 14% |
| Discount for own non-performance risk | 0.05% |

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| Significant increase (decrease) in the profit after tax of Extinguishers Limited would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate and own non-performance risk would result in lower (higher) fair value of the liability.  As at 31 March 2021, the key performance indicators of Extinguishers Limited show that it is highly probable that the target will be achieved due to a significant expansion of the business and the synergies realised. The fair value of the contingent consideration determined at 31 March 2021 reflects this development, amongst other factors and a re-measurement charge has been recognised through profit or loss. A reconciliation of fair value measurement of the contingent consideration liability is provided below: |

|  |  |
| --- | --- |
|  | INR Lacs |
| **Opening balance as at 1 April 2020** | - |
| Liability arising on business combination | 1,286 |
| Unrealised fair value changes recognised in profit or loss | 644 |
| **Closing balance as at 31 March 2021** | **1,930** |

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| The fair value of contingent consideration liability increased due to a significantly improved performance of Extinguishers Limited compared to the budget. The contingent consideration liability is due for final measurement and payment to the former shareholders on 31 October 2021. |

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| **Authors’ note**  The classification of a contingent consideration requires an analysis of the individual facts and circumstances. It may be classified as follows: equity or a financial liability in accordance with Ind-AS 32 and Ind-AS 109; a provision in accordance with Ind-AS 37; or in accordance with other standards, each resulting in different initial recognition and subsequent measurement. The Group has determined that it has a contractual obligation to deliver cash to the seller and therefore it has assessed the same to be a financial liability (Ind-AS 32.11). Consequently, the Group is required to re-measure that liability at fair value at each reporting date (Ind-AS 103.58(b)(i)).  As part of the business combination, contingent payments to employees or selling shareholders are a common method of retention of key people for the combined entity. The nature of such contingent payments, however, needs to be evaluated in each individual circumstance as not all such payments qualify as contingent consideration, but are accounted for as a separate transaction. For example, contingent payments that are unrelated to the future service of the employee are deemed contingent consideration, whereas contingent payments that are forfeited when the employment is terminated, are deemed remuneration. Paragraphs B54 – B55 of Ind AS 103 provide further guidance  Under Ind AS 113.93(h)(ii), for recurring fair value measurement of financial assets and financial liabilities at Level 3 of the hierarchy, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value significantly, an entity is required to state that fact and disclose the effect of changes. The entity is also required to state how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. In the case of the contingent consideration liability recognised by the Group, the changes in unobservable inputs other than those disclosed in the note above, were assessed to be insignificant. |

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| Acquisition of additional interest in Lightbulbs Limited  On 1 October 2020, the Group acquired an additional 7.4% interest in the voting shares of Lightbulbs Limited, increasing its ownership interest to 87.4%. Cash consideration of INR 585 was paid to the non-controlling shareholders. The carrying value of the net assets of Lightbulbs Limited (excluding goodwill on the original acquisition) was INR 3,079. The carrying value of the additional interest acquired at the date of acquisition was INR 243. Following is a schedule of additional interest acquired in Lightbulbs Limited: |

|  |  |
| --- | --- |
|  | **INR Lacs** |
| Cash consideration paid to non-controlling shareholders | 585 |
| Carrying value of the additional interest in Lightbulbs Limited | (243) |
| **Difference recognised in retained earnings within equity** | **342** |

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| Acquisitions during the year ended 31 March 2020 Acquisition of Lightbulbs Limited  On 1 December 2019, the Group acquired 80% of the voting shares of Lightbulbs Limited, a company based in India, specialising in the production and distribution of Lightbulbs. The Group acquired this business to enlarge the range of products in the electronics segment.  The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree’s identifiable net assets.  The fair value of the identifiable assets and liabilities of Lightbulbs Limited as at the date of acquisition were: |

|  |  |
| --- | --- |
|  | Fair value  recognised on acquisition |
|  | INR Lacs |
| Land and buildings (Note 3) | 2,304 |
| Cash and cash equivalents | 90 |
| Trade receivables | 1,535 |
| Inventories | 1,377 |
| **Total assets** | **5,306** |
|  |  |
| Trade payables | (1,453) |
| Deferred tax liability (Note 19) | (684) |
| Provision for maintenance warranties | (90) |
| **Total liabilities** | **(2,227)** |

|  |  |
| --- | --- |
| **Total identifiable net assets at fair value** | **3,079** |
| Non-controlling interest (20% of net assets) | (616) |
| Goodwill arising on acquisition (Note 6) | 236 |
| **Purchase consideration transferred** | **2,700** |
|  |  |
|  | **Cash flow on acquisition** |
|  | **INR Lacs** |
| Net cash acquired with the subsidiary | 90 |
| Cash paid | (2,700) |
| **Net cash flow on acquisition** | **(2,610)** |

|  |
| --- |
| The net assets recognised in the 31 March 2020 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation for the land and buildings owned by Lightbulbs Limited. The valuation had not been completed by the date the March 2020 financial statements were approved for issue by the Board of Directors  In April 2020, the valuation was completed, and the acquisition date fair value of the land and buildings was INR 2,304, an increase of INR 360 over the provisional value originally determined. As a result, there was an increase in the deferred tax liability of INR 108 and an increase in the non-controlling interest of INR 50. There was also a corresponding reduction in goodwill of INR 202, resulting in INR 236 of total goodwill arising on the acquisition. The group has used final values in preparing its numbers for the year ended 31 March 2020  The fair value of trade receivable amounts to INR 1,535, which approximates their gross carrying amount. None of the trade receivables were impaired and the full contractual amounts were expected to be credited. |
| From the date of acquisition, Lightbulbs Limited contributed INR 857 of revenue and INR 36 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of year ended 31 March 2020, the Groups revenue from continuing operations would have been INR 356,540 Lacs and the profit before tax from continuing operations would have been INR 14,130 Lacs.  The goodwill of INR 236 lacs comprises the fair value of expected synergies arising from acquisition. Goodwill is allocated entirely to the electronic segment. None of the recognized goodwill is deductible for income tax purposes. |

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| **Authors’ note**  During the year ended 31 March 2020, business combination the Group elected to value the non-controlling interest by its proportionate share of the acquiree’s identifiable net assets. During the year ended 31 March 2021, business combination, the Group elected to value the non-controlling interest at fair value. This election can be made separately for each business combination and is not a policy choice that determines an accounting treatment for all business combinations the Group will carry out. |

1. Material partly-owned subsidiaries

**Financial information of subsidiaries that have material non-controlling interests are provided below:**

|  |  |  |  |
| --- | --- | --- | --- |
| Proportion of equity interest held by non-controlling interests: | | | |
| Name | Country of incorporation and operation | 31 March 2021 | 31 March 2020 |
| Electronics Limited | India | 52% | 52% |
| Extinguishers Limited | India | 20% | - |
| Lightbulbs Limited | India | 12.6% | 20% |

**Information regarding non-controlling interest**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 31 March 2021 | **31 March 2020** |
|  |  | (INR Lacs) | **(INR Lacs)** |
| Accumulated balances of material non-controlling interest: | | |  |
| Electronics Limited |  | 1,141 | 704 |
| Extinguishers Limited |  | 2,357 | - |
| Lightbulbs Limited |  | 542 | 592 |
| Profit/(loss) allocated to material non-controlling interest: | | |  |
| Electronics Limited |  | 437 | 463 |
| Extinguishers Limited |  | 270 | - |
| Lightbulbs Limited |  | 97 | 4 |

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

**Summarised statement of profit and loss for the year ended 31 March 2021:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Electronics Limited | Extinguishers Limited | Lightbulbs Limited |
|  | INR Lacs | INR Lacs | INR Lacs |
| Revenue from contract with customers | 4,583 | 32,142 | 10,804 |
| Cost of raw material and components consumed | (2,610) | (28,220) | (7,362) |
| Other expenses | (637) | (2,455) | (1,836) |
| Finance costs | (450) | (117) | (238) |
| Profit before tax | **886** | **1,350** | **1,368** |
| Income tax | (45) | (11) | (144) |
| Profit for the year from continuing operations | **841** | **1,339** | **1,224** |
| Total comprehensive income | **841** | **1,339** | **1,224** |
| Attributable to non-controlling interests | 437 | 268 | 97 |
| Dividends paid to non-controlling interests | 54 | - | - |

Summarised statement of profit or loss for the year ended 31 March 2020:

|  |  |  |
| --- | --- | --- |
|  | Electronics Limited | Lightbulbs Limited |
|  | INR Lacs | INR Lacs |
| Revenue from contract with customers | 3,780 | 857 |
| Cost of raw material and components consumed | (2,250) | (648) |
| Other expenses | (270) | (153) |
| Finance costs | (630) | (20) |
| Profit before tax | **630** | **36** |
| Income tax | 36 | (14) |
| Profit for the year from continuing operations | **666** | **22** |
| Total comprehensive income | **666** | **22** |
| Attributable to non-controlling interests | 346 | 4 |
| Dividends paid to non-controlling interests | 88 | - |

Summarised balance sheet as at 31 March 2021:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Electronics Limited** | **Extinguishers Limited** | **Lightbulbs Limited** |
|  | INR Lacs | INR Lacs | INR Lacs |
| Inventories and cash and bank balances (current) | 1,748 | 12,317 | 4,136 |
| Property, plant and equipment and other non-current financial assets (non-current) | 2,534 | 14,836 | 2,300 |
| Trade and other payable (current) | (648) | (10,480) | (1,480) |
| Borrowing and deferred tax liabilities (non-current) | (1,440) | (4,880) | (774) |
| **Total equity** | **2,194** | **11,793** | **4,182** |
| **Attributable to:** |  |  |  |
| Equity holders of parent | 1,053 | 9,436 | 3,640 |
| Non-controlling interest | 1,141 | 2,357 | 542 |

**Summarised balance sheet as at 31 March 2020:**

|  |  |  |
| --- | --- | --- |
|  | **Electronics Limited** | **Lightbulbs Limited** |
|  | INR Lacs | INR Lacs |
| Inventories and cash and bank balances (current) | 1,255 | 2,911 |
| Property, plant and equipment and other non-current financial assets (non-current) | 2,304 | 2,300 |
| Trade and other payable (current) | (630) | (1,480) |
| Borrowing and deferred tax liabilities (non-current) | (1,577) | (774) |
| **Total equity** | **1,352** | **2,957** |
| **Attributable to:** |  |  |
| Equity holders of parent | 650 | 2,367 |
| Non-controlling interest | 702 | 590 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Summarised cash flow information for year ended 31 March 2021:** | | | |
|  | **Electronics Limited** | **Extinguishers Limited** | **Lightbulbs Limited** |
|  | INR Lacs | INR Lacs | INR Lacs |
| Operating | 913 | 1,456 | 1,462 |
| Investing | (27) | (504) | 11 |
| Financing | (450) | (117) | (238) |
| **Net increase/(decrease) in cash and cash equivalents** | **436** | **835** | **1,235** |

|  |  |  |
| --- | --- | --- |
| **Summarised cash flow information for year ended 31 March 2020:** | | |
|  | **Electronics Limited** | **Lightbulbs Limited** |
|  | INR Lacs | INR Lacs |
| Operating | 828 | 40 |
| Investing | (18) | (36) |
| Financing | (630) | (20) |
| **Net increase/(decrease) in cash and cash equivalents** | **180** | **(16)** |

**Author’s Note**

Ind AS 112.12 requires the above information only in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the Group). A subsidiary may have significant non-controlling interest per se, but disclosure is not required if that interest is not material at the Group level. Similarly, these disclosures do not apply to the non-controlling interests that are material in aggregate but not individually. Also, it should be noted that the above information should be provided separately for each individual subsidiary with a material non-controlling interest. The Group has concluded that Extinguishers Limited, Lightbulbs Limited and Electronics Limited are the only subsidiaries with non-controlling interests that are material to the Group.

When there is a change in the ownership of a subsidiary, Ind AS 112.18 requires disclosure of a schedule that shows the effects on equity of any changes in its ownership interest in the subsidiary that did not result in a loss of control. When there are significant restrictions on the Group’s or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group, Ind AS 112.13 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such restrictions.

Ind AS 112.10 (b) (iv) requires disclosure of information to enable the users to evaluate the consequences of losing control of a subsidiary during the period. The Group did not lose control over a subsidiary during the period.

1. Interest in joint venture

The Group has a 50% interest in S Limited, a joint venture involved in the manufacture of some of the Group’s main product lines in fire prevention equipment in India. The Group’s interest in S Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Ind-AS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Current assets, including cash and cash equivalents INR 1,780 lacs (31 March 2020: INR 1,337 lacs) and prepayments INR 1,854 lacs (31 March 2020: NIL) | 5,807 | 5,054 |
| Non-current assets | 5,155 | 5,335 |
| Current liabilities, including tax payable INR 160 lacs (31 March 2020: INR 257 lacs) | (403) | (1,984) |
| Non-current liabilities, including deferred tax liabilities INR 500 lacs (31 March 2020: INR 585 lacs) and long-term borrowing INR 900 lacs (31 March 2020: INR 900 lacs) | (1,836) | (1,800) |
| **Equity** | **8,723** | **6,605** |
| Proportion of the Group’s ownership | 50% | 50% |
| Carrying amount of the investment | **4,362** | **3,303** |

**Summarised statement of profit and loss of the S Limited:**

|  | 31 March 2021 | 31 March 2020 |
| --- | --- | --- |
|  | INR Lacs | INR Lacs |
| Revenue | 1,08,169 | 1,05,977 |
| Cost of raw material and components consumed | (98,078) | (96,156) |
| Depreciation & amortization | (2,225) | (2,223) |
| Finance cost | (367) | (360) |
| Employee benefit | (729) | (702) |
| Other expense | (1,795) | (1,730) |
| **Profit before tax** | **4,975** | **4,806** |
| Income tax expense | (2,858) | (2,801) |
| **Profit for the year (continuing operations)** | **2,117** | **2,005** |
| **Total comprehensive income for the year (continuing operations)** | **2,117** | **2,005** |
| **Group’s share of profit for the year** | **1,058** | **1,003** |

|  |
| --- |
| The group had no contingent liabilities or capital commitments relating to its interest in S Limited as at 31 March 2021 and 2020. The joint venture had no other contingent liabilities or capital commitments as at 31 March 2021, 31 March 2020, except as disclosed in Note 42. S Limited cannot distribute its profits until it obtains the consent from the two venture partners.  **Covid-19 commentary**  Entities will need to consider whether there is any impairment of their investments in joint ventures. Impairment charges relating to investments in joint ventures should be accounted for in accordance with the equity method under Ind AS 28. Ind AS 28 requires the investment in a joint venture to be considered as a single cash-generating unit, rather than ‘drilling down’ into the separate cash-generating units determined by the joint venture. The impairment test should be undertaken in accordance with the requirements of Ind AS 36. |

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| 1. Investment in an associate   The Group has a 25% interest in P Limited, which is involved in the manufacture of fire prevention equipment for power stations in India. P Limited is a private entity that is not listed on any public exchange. The Group’s interest in P Limited is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group’s investment in P Limited: |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |  |
|  | INR Lacs | INR Lacs |  |
| Current assets | 11,743 | 11,383 |  |
| Non-current assets | 24,595 | 23,090 |  |
| Current liabilities | (8,078) | (7,027) |  |
| Non-current liabilities | (22,759) | (22,543) |  |
| **Equity** | **5,501** | **4,903** |  |
| Proportion of the Group’s ownership | 25% | 25% |  |
| **Carrying amount of the investment** | **1375** | **1226** |  |

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Revenue | 59,926 | 58,752 |
| Increase/(decrease) in inventory | (1,237) | 274 |
| Cost of raw material and components consumed | (47,902) | (48,451) |
| Depreciation & amortization | (2,225) | (2,223) |
| Finance cost | (2,911) | (3,020) |
| Employee benefit | (1,073) | (826) |
| Other expense | (2,180) | (2,157) |
| **Profit before tax** | **2,398** | **2,349** |
| Income tax expense | (1,800) | (1,766) |
| **Profit for the year (continuing operations)** | **598** | **583** |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax | (216) | **-** |
| Other comprehensive income that will not be reclassified to profit or loss in the subsequent periods, net of tax | 216 | **-** |
| **Total comprehensive income for the year (continuing operations)** | **598** | **583** |
| **Group’s share of profit for the year** | **149** | **146** |

|  |
| --- |
| The Group has an agreement with its associate that the profits of the associate will not be distributed until it obtains the consent of the Group. The parent does not foresee giving such consent at the reporting date.  The associate had no contingent liabilities or capital commitments as at 31 March 2020 or 31 March 2021.  For details regarding financial guarantees given to bank refer note 42. |
| **Authors’ note**  Ind-AS 112 requires separate presentation of goodwill and other adjustments to the investments in joint ventures and associates in the above reconciliation. The Group does not have goodwill or other adjustments.  Ind-AS 112 requires the separate disclosure of information for joint operations, as it relates to all types of joint arrangements. The Group does not have any joint operations.  Ind AS 112.B15 allows this information to be provided using alternative bases, if the entity measures its interest in the joint venture at fair value, and if the joint venture does not prepare Ind AS financial statements and preparation on that basis would be impracticable or cause undue cost. Applying both the impracticable and undue cost thresholds involves significant judgement and must be carefully considered in the context of the specific facts and circumstances. One key aspect be considered is that Ind AS roadmap requires subsidiaries, associates and joint ventures of companies covered under Ind AS roadmap to adopt Ind AS from the same date as its parent/ investors. In either case, the entity is required to disclose the basis on which the information is provided. The Group has presented the summarised financial information of the joint venture based on their Ind AS financial statements.  Ind-AS 112 requires additional disclosures when the financial statements of the joint venture or associate used in applying equity method are as of a different date or for a different period from that of the entity. This is not applicable to the Group.  Ind-AS 112 require disclosure of the aggregated information of associates and joint ventures that are not individually material. The Group did not have any immaterial associates or joint ventures. |

**Covid-19 commentary**

Entities will need to consider whether there is any impairment of their investments in associates. Impairment charges relating to investments in associates should be accounted for in accordance with the equity method under Ind AS 28. Ind AS 28 requires the investment in an associate to be considered as a single cash-generating unit, rather than ‘drilling down’ into the separate cash-generating units determined by the associate. The impairment test should be undertaken in accordance with the requirements of Ind AS 36.

1. Gratuity and other post-employment benefit plans

|  |  |  |  |
| --- | --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |  |
|  | INR Lacs | INR Lacs |  |
| US post-employment healthcare benefit plan | (610) | (355) |  |
| India gratuity plan | (4,880) | (5,004) |  |
| **Total** | **(5,490)** | **(5,359)** |  |
| The Group has a defined benefit gratuity plan in India (funded). Also, in the United States, the Group provides certain post-employment healthcare benefits to employees (unfunded). The Group’s defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.  The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member’s length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.  Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, it aims to have a portfolio mix of equity instruments, property and debt instruments. Generally equity instruments and property should not exceed 30% of total portfolio. The Board of Trustees aim to keep annual contributions relatively stable at a level such that no plan deficits (based on valuation performed) will arise.  As the plan assets include significant investments in quoted equity shares of entities in manufacturing and consumer products sector, the Group is also exposed to equity market risk arising in the manufacturing and consumer products sector.  The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans: | | | |

US Post-employment healthcare benefit plan

|  |  |  |
| --- | --- | --- |
| *Net benefit expense 31 March 2021 (recognised in profit or loss)* | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Current service cost | (256) | (194) |
| Interest cost on benefit obligation | (19) | (9) |
| **Net benefit expense** | **(275)** | **(203)** |

*Changes in the present value of the defined benefit obligation are, as follows:*

|  |  |
| --- | --- |
|  | INR Lacs |
| **Defined benefit obligation at 1 April 2019** | **158** |
| Interest cost | 9 |
| Current service cost | 194 |
| Benefits paid | (61) |
| Exchange differences | 55 |
| **Defined benefit obligation at 31 March 2020** | **355** |
| Interest cost | 19 |
| Current service cost | 256 |
| Benefits paid | (38) |
| Exchange differences | 18 |
| **Defined benefit obligation at 31 March 2021** | **610** |

**India Plan**

*31 March 2021 changes in the defined benefit obligation and fair value of plan assets*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Gratuity cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | |  |  |
|  | 1 April 2020 | Service cost | Net interest expense | Sub-total included in profit or loss  (Note 26) | Benefits paid | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31 March 2021 |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Defined benefit obligation | (10,098) | (2,281) | (461) | (2,741) | 1,562 | - | 380 | (144) | (36) | 200 | - | (11,077) |
| Fair value of plan assets | 5,094 | - | 225 | 225 | (1,562) | 464 | - | - | - | 464 | 1,976 | 6,197 |
| **Benefit liability** | **(5,004)** |  |  | **(2,516)** | **-** |  |  |  |  | **664** | **1,976** | **(4,880)** |

*31 March 2020 changes in the defined benefit obligation and fair value of plan assets*

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Gratuity cost charged to profit or loss | | | Remeasurement gains/(losses) in other comprehensive income | | | | | |  |  |
|  | 1 April 2019 | Service cost | Net interest expense | Sub-total included in profit or loss  (Note 26) | Benefits paid | Return on plan assets (excluding amounts included in net interest expense) | Actuarial changes arising from changes in demographic assumptions | Actuarial changes arising from changes in financial assumptions | Experience adjustments | Sub-total included in OCI | Contributions by employer | 31 March 2020 |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Defined benefit obligation | (9,446) | (2,059) | (509) | (2,569) | 2,099 | - | (362) | 126 | 54 | (182) | - | (10,098) |
| Fair value of plan assets | 5,058 | - | 290 | 290 | (2,099) | (518) | - | - | - | (518) | 2,363 | 5,094 |
| **Benefit liability** | **(4,388)** |  |  | **(2,279)** | **-** |  |  |  |  | **(700)** | **2,363** | **(5,004)** |

|  |
| --- |
| **Commentary**  An entity must assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks under the requirements of Ind AS 19.138. For example, an entity may disaggregate disclosure about plans showing one or more of the following features: different geographical locations: characteristics such as flat salary pension plans: final salary pension plans or post-employment medical plans: regulatory environments: reporting segments and/or funding arrangements (e.g., wholly unfunded, wholly or partly funded).  Entities must exercise judgement and assess the grouping criteria according to their specific facts and circumstances. In this case, the Group has only one defined benefit pension plan in India, hence there is no further disaggregation shown.  Additional disclosures may also be provided to meet the objectives in Ind AS 19.135. For example, an entity may present an analysis of the present value of the defined benefit obligation that distinguishes the nature, characteristics and risks of the obligation. Such a disclosure could distinguish between:  (a) Amounts owing to active members, deferred members, and pensioners  (b) Vested benefits and accrued, but not vested, benefits  (c) Conditional benefits, amounts attributable to future salary increases and other benefits |
|  |
| The acquisitions of Extinguishers Limited during the year ended 31 March 2021 and Lightbulbs Limited during the year ended 31 March 2020 did not materiality affect plan assets or the defined benefit obligation.  The major categories of plan assets of the fair value of the total plan assets are as follows: |

|  |  |  |
| --- | --- | --- |
|  | India plan | |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| **Investments quoted in active markets:** |  |  |
| Quoted equity investments |  |  |
| Manufacturing and consumer products sector | 1,494 | 1,179 |
| Telecom sector | 81 | 59 |
|  |  |  |
| **Cash and cash equivalents** | 720 | 450 |
| **Unquoted investments:** |  |  |
| Bonds issued by India Government | 3,776 | 3,307 |
| Property | 126 | 99 |
| **Total** | **6,197** | **5,094** |

|  |
| --- |
| The plan assets include a property occupied by the Group with a fair value of INR 90 (31 March 2020: INR 90,).  The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Group’s plans are shown below: |
| **Commentary**  The fair value of the plan assets is provided in this disclosure. Even though the fair value is determined using Ind AS 113, the fair value disclosures required by Ind AS 113 do not apply to employee benefits within the scope of Ind AS 19. However, if there was an impact on the plan assets from the measurement using Ind AS 113, it would need to be disclosed.  Under Ind AS 19.142, the Group has separated the plan assets within different classes. The Group has a class ‘property’, which has not been further classified into categories. The amount is not determined to be material to the consolidated financial statements. |

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | % | % |
| Discount rate: |  |  |
| India gratuity plan | 7.9 | 8.5 |
| Post-employment medical plan | 5.7 | 5.9 |
|  |  |  |
| Future salary increases: |  |  |
| India gratuity plan | 6.5 | 7.0 |
|  |  |  |
| Healthcare cost increase rate | 7.2 | 7.4 |
|  |  |  |
| Life expectation for: | Years | Years |
| Post-employment health care benefit plan |  |  |
| Male | 19 | 19 |
| Female | 22 | 22 |

A quantitative sensitivity analysis for significant assumption as at 31 March 2021 is as shown below:

**India gratuity plan:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 31 March 2021 | 31 March 2021 | | 31 March 2021 | 31 March 2021 |
| **Assumptions** | **Discount rate** | | | **Future salary increases** | |
| Sensitivity Level | 0.5% increase | | 0.5% decrease | 5% increase | 5% decrease |
|  | **INR Lacs** | | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Impact on defined benefit obligation | (612) | | 558 | 2,160 | (1,980) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 31 March 2020 | 31 March 2020 | | 31 March 2020 | 31 March 2020 |
| **Assumptions** | **Discount rate** | | | **Future salary increases** | |
| Sensitivity Level | 0.5% increase | | 0.5% decrease | 5% increase | 5% decrease |
|  | **INR Lacs** | | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Impact on defined benefit obligation | (642) | | 610 | 2,540 | (2,120) |

**US post-employment healthcare benefit plan:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31 March 2021 | 31 March 2021 | 31 March 2021 | 31 March 2021 | 31 March 2021 | 31 March 2021 |
| **Assumptions** | **Estimated healthcare cost increase rate** | | **Discount rate** | | **Future salary increases** | |
| **Sensitivity Level** | 1% increase | 1% decrease | 0.5% increase | 0.5% decrease | 0.5% increase | 0.5% decrease |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Impact on defined benefit obligation | 198 | (162) | (594) | 576 | 234 | (252) |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31 March 2020 | 31 March 2020 | 31 March 2020 | 31 March 2020 | 31 March 2020 | 31 March 2020 |
| **Assumptions** | **Estimated healthcare cost increase rate** | | **Discount rate** | | **Future salary increases** | |
| **Sensitivity Level** | 1% increase | 1% decrease | 0.5% increase | 0.5% decrease | 0.5% increase | 0.5% decrease |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| Impact on defined benefit obligation | 145 | (112) | (443) | 526 | 198 | (188) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **31 March 2021** | **31 March 2021** | **31 March 2021** | **31 March 2021** | |
| **Assumptions** | **Life expectancy of male pensioners** | | **Life expectancy of female pensioners** | | |
| **Sensitivity Level** | Increase by 1 year | Decrease by 1 year | Increase by 1 year | | Decrease by 1 year |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | | **INR Lacs** |
| Impact on defined benefit obligation | 234 | (270) | 162 | | (144) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **31 March 2020** | **31 March 2020** | **31 March 2020** | **31 March 2020** | |
| **Assumptions** | **Life expectancy of male pensioners** | | **Life expectancy of female pensioners** | | |
| **Sensitivity Level** | Increase by 1 year | Decrease by 1 year | Increase by 1 year | | Decrease by 1 year |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** | | **INR Lacs** |
| Impact on defined benefit obligation | 188 | (206) | 121 | | (156) |

|  |
| --- |
| The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.  The following payments are expected contributions to the defined benefit plan in future years: |

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| Within the next 12 months (next annual reporting period) | 2,700 | 2,430 |
| Between 2 and 5 years | 3,870 | 3,690 |
| Between 5 and 10 years | 3,888 | 4,212 |
| Beyond 10 years | 5,400 | (4,680) |
| **Total expected payments** | **15,858** | **5,652** |

The average duration of the defined benefit plan obligation at the end of the reporting period is 26.5 years (31 March 2020: 25.3 years).

**Author’s Note**

Ind AS 19.145(c) also requires disclosure of changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes. The Group did not have such changes.

Ind AS 19.145(a) requires disclosure of sensitivity analyses showing how the defined benefit obligation would be affected by reasonably possible changes in actuarial assumptions. The purpose of this publication is to illustrate the disclosures required and therefore the changes in the assumptions provided in the sensitivity analyses above are not necessarily reflective of those in the current markets.

The standard includes some overriding disclosure objectives and considerations that provide a framework to identify the overall tone and extent of disclosures that should be included in the financial statement notes.

For example, Ind AS 19.136 indicates that entities should consider the following when providing defined benefit plan disclosures:

► The level of detail necessary to satisfy the disclosure requirements

► How much emphasis to place on each of the various requirements

► How much aggregation or disaggregation to undertake

► Whether users of financial statements need additional information to evaluate the quantitative information disclosed

These considerations were meant to assist entities in reconciling the overriding disclosure objective along with the fact that an extensive list of required disclosures still remains in the standard. The information that is immaterial is not required to be disclosed as set out in Ind AS 1.31.

The addition of clear disclosure objectives provides entities with an opportunity to take a fresh look at their defined benefit plan disclosures. Eliminating immaterial disclosures would enhance the financial statement users’ ability to focus on those transactions and details that truly matter.

**Covid-19 commentary**

The Covid-19 pandemic has a significant impact on interest rates, expected inflation and asset values which may trigger the need for a re-measurement of the defined benefit obligation and pension plan assets. The current environment is likely to continue to affect the values of the plan assets and obligations resulting in potential volatility in the amount of the net defined benefit pension plan surplus/deficit recognised.

The impact of Covid-19 will vary by entity, with some entities recognising increases in net pension assets, while others having to recognise decreases. Entities should ensure that sufficient disclosures are made such that users are able to understand the impacts of the Covid-19 pandemic on pension plans.

|  |  |  |
| --- | --- | --- |
| 1. Share-based payments   Senior Executive Plan  Under the Senior Executive Plan (SEP), share options of the parent are granted to senior executives of the parent with more than 12 months of service. In most cases, the exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the Group’s EPS increases by 10% within three years from the date of grant and the senior executive remains employed on such date. The share options granted will not vest if the EPS performance condition is not met.  The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.  The contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. | | |
| General Employee Share-option Plan  Under the General Employee Share-option Plan (GESP), the Group, at its discretion, may grant share options of the parent to non-senior executive employees, once the employee has completed two years of service. Vesting of the share options is dependent on the Group’s total shareholder return (TSR) as compared to a group of principal competitors. Employees must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share options were granted. The model simulates the TSR and compares it against the group of principal competitors. It takes into account historical and expected dividends, and the share price fluctuation covariance of the Group and its competitors to predict the distribution of relative share performance.  The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is five years and there are no cash settlement alternatives for the employees. The Group does not have a past practice of cash settlement for these awards. | | |
| Share Appreciation Rights  The Group’s business development employees are granted share appreciation rights (SARs), settled in cash. The SARs vest when a specified target number of new sales contracts are closed and the employee continues to be employed by the Group at the vesting date. The contractual term of the SARs is six years. Fair value of the SARs is measured at each reporting date using a binomial option pricing model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.  The carrying amount of the liability relating to the SARs at 31 March 2021 was INR 538 lacs (31 March 2020: INR 349 lacs). No SARs had vested at 31 March 2021 and 31 March 2020, respectively. | | |
| The expense recognised for employee services received during the year is shown in the following table: | | |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Expense arising from equity-settled share-based payment transactions | 553 | 536 |
| Expense arising from cash-settled share-based payment transactions | 189 | 349 |
| **Total expense arising from share-based payment transactions** | **742** | **885** |
| There were no cancellations or modifications to the awards in year ending 31 March 2021 or 31 March 2020. | | |

|  |
| --- |
| Movements during the year  The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding SARs): |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 31 March 2021 Number | 31 March 2021 WAEP | 31 March 2020 Number | 31 March 2020 WAEP |
|  |  |  |  |  |
| Outstanding at 1 April | 10,35,000 | INR 2.85 | 9,45,000 | INR 2.75 |
| Granted during the year | 4,50,000 | INR 3.85 | 2,79,000 | INR 3.13 |
| Forfeited during the year | — | - | (45,000) | INR 2.33 |
| Exercised during the year | (1,35,000) 2 | INR 2.33 | (1,17,000) 1 | INR 3.08 |
| Expired during the year | (45,000) | INR 3.02 | (27,000) | INR 2.13 |
| Outstanding at 31 March | **13,05,000** | INR 3.24 | **10,35,000** | INR 2.85 |
| Exercisable at 31 March | 1,98,000 | INR 2.98 | 1,80,000 | INR 2.51 |

|  |
| --- |
| 1*The weighted average share price at the date of exercise of these options was INR 4.09.*  2 *The weighted average share price at the date of exercise of these options was INR 3.13*  The weighted average remaining contractual life for the share options outstanding as at 31 March 2021 was 2.94 years (31 March 2020: 2.60 years).  The weighted average fair value of options granted during the year was INR 1.32 (31 March 2020: INR 1.18).  The range of exercise prices for options outstanding at the end of the year was INR 2.33 to INR 3.85 (31 March 2020: INR 2.13 to INR 3.13). |

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| The following tables list the inputs to the models used for the three plans for the years ended 31 March 2021 and 31 March 2020, respectively: |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 31 March 2021  SEP | 31 March 2021  GESP | 31 March 2021  SAR |
| Weighted average fair values at the measurement date | INR 3.45 | INR 3.10 | INR 2.80 |
| Dividend yield (%) | 3.13 | 3.13 | 3.13 |
| Expected volatility (%) | 15.00 | 16.00 | 18.00 |
| Risk–free interest rate (%) | 5.10 | 5.10 | 5.10 |
| Expected life of share options/SARs (years) | 6.50 | 4.25 | 6.00 |
| Weighted average share price (INR ) | 3.10 | 3.10 | 3.12 |
| Model used | Binomial | Monte Carlo | Binomial |
|  | 31 March 2020  SEP | 31 March 2020  GESP | 31 March 2020  SAR |
| Weighted average fair values at the measurement date | INR 3.30 | INR 3.00 | INR 2.60 |
| Dividend yield (%) | 3.01 | 3.01 | 3.01 |
| Expected volatility (%) | 16.30 | 17.50 | 18.10 |
| Risk–free interest rate (%) | 5.00 | 5.00 | 5.00 |
| Expected life of options/SARs (years) | 3.00 | 4.25 | 6.00 |
| Weighted average share price (INR ) | 2.86 | 2.86 | 2.88 |
| Model used | Binomial | Monte Carlo | Binomial |

|  |
| --- |
| The expected life of the share options and SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. |

1. Leases

Group as lessee

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group’s obligations under its leases are secured by the lessor’s title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

|  |
| --- |
| **Authors’ note**  Ind AS 116.52 requires lessees to disclose information in a single note or a separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. The Group provided most of the required disclosures by Ind AS 116 in this section of the financial statements. Cross-references are provided for certain required information outside of this section. |

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| --- |
| Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period: |
| |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Plant and**  **machinery** | **Motor**  **Vehicles** | **Other**  **Equipment** | **Total** | | **As at 1 April 2019** | **2,794** | **1,258** | **1,195** | **5,247** | | Additions (Note 36) | 223 | 104 | 83 | **410** | | Depreciation expense | (284) | (236) | (220) | **(740)** | | **As at 31 March 2020** | **2,732** | **1,127** | **1,058** | **4,918** | | Additions (Note 36) | 763 | 194 | 140 | **1,098** | | Depreciation expense | (311) | (245) | (225) | **(781)** | | **As at 31 March 2021** | **3,184** | **1,076** | **974** | **5,234** | |
| Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period: |
| |  |  |  | | --- | --- | --- | |  | **2021** | **2020** | | **As at 1 April** | 5,348 | 5.560 | | Additions | 1,067 | 405 | | Accretion of interest | 320 | 333 | | Payments | (1,046) | (950) | | **As at 31 March** | **5,690** | **5,348** | | Current (Note 15) | 819 | 752 | | Non-current (Note 15) | 4,871 | 4,595 |   The maturity analysis of lease liabilities is disclosed in Note 49.  The effective interest rate for lease liabilities is 9.2%, with maturity between 2020-2026. |
| The following are the amounts recognised in profit or loss: |
| |  |  |  | | --- | --- | --- | |  | **2021** | **2020** | | Depreciation expense of right-of-use assets | 781 | 740 | | Interest expense on lease liabilities | 320 | 333 | | Expense relating to short-term leases (included in other expenses) | 40 | 38 | | Expense relating to leases of low-value assets (included in other expenses) | 32 | 31 | | Variable lease payments (included in other expenses) | 58 | 50 | | **Total amount recognised in profit or loss** | **1,231** | **1,192** | |
| The Group had total cash outflows for leases of INR 1,175 in 31 March 2021 (INR 1,069 in 31 March 2020). The Group also had non-cash additions to right-of-use assets and lease liabilities of INR 1,067 in 31 March 2021 (INR 405 in 31 March 2020). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 43. |

**Authors’ note**

Ind AS 116.53 requires disclosure of the following information, which users of the financial statements have identified as being most useful to their analysis:

► Depreciation charge for right-of-use assets, split by class of underlying asset

► Interest expense on lease liabilities

► Short-term lease expense for such leases with a lease term greater than one month

► Low-value asset lease expense (except for portions related to short-term leases)

► Variable lease expense (i.e., for variable lease payments not included in the lease liability)

► Income from subleasing right-of-use assets

► Total cash outflow for leases

► Additions to right-of-use assets

► Gains and losses arising from sale and leaseback transactions

► Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period (Ind AS 116.54).

The standard requires disclosure of the total cash outflow for leases. The Group also included the cash outflow related to leases of low-value assets and short-term leases in the disclosure of the total cash outflow.

Ind AS 116.55 requires disclosure of the amount of lease commitments for short-term leases when short-term lease commitments at the end of the reporting period are dissimilar to the same period’s short-term lease expense (that is otherwise required to be disclosed). This disclosure requirement is not applicable to the Group.

Ind AS 116.59 requires additional qualitative and quantitative information about a lessee’s leasing activities necessary to meet the disclosure objective of the standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

► The nature of the lessee’s leasing activities

► Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

- Variable lease payments

- Extension options and termination options

- Residual value guarantees

- Leases not yet commenced to which the lessee is committed

► Restrictions or covenants imposed by leases

► Sale and leaseback transactions

The Group has lease contracts for machinery that contains variable payments based on the number of units to be manufactured. These terms are negotiated by management for certain machinery that is used to manufacture products without steady customer demand. Management’s objective is to align the lease expense with the units manufactured and revenue earned. The following provides information on the Group’s variable lease payments, including the magnitude in relation to fixed payments:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fixed**  **Payments** | **Variable**  **Payments** | **Total** |
| **31 March 2021** |  |  |  |
| Fixed rent | 634 | - | **634** |
| Variable rent with minimum payment | 317 | 85 | **401** |
| Variable rent only | - | 43 | **43** |
| **31 March 2020** | **950** | **128** | **1,078** |
| Fixed rent | 706 | - | **706** |
| Variable rent with minimum payment | 340 | 81 | **421** |
| Variable rent only | - | 38 | **38** |
|  | **1,046** | **119** | **1,165** |

A 5% increase in units produced for the relevant products would increase total lease payments by 1%.

**Authors’ note**

Disclosures of additional information relating to variable lease payments could include (Ind AS116.B49):

► The lessee’s reasons for using variable lease payments and the prevalence of those payments

► The relative magnitude of variable lease payments to fixed payments

► Key variables upon which variable lease payments depend on how payments are expected to vary in response to changes in those key variables

► Other operational and financial effects of variable lease payments

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e., to provide a basis for users to assess the effect of leases on the financial position, financial performance, and cash flows of the lessee).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group’s business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 34).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Within five years** | **More than five years** | **Total** |
| Extension options expected not to be exercised | 945 | 725 | **1,670** |
| Termination options expected to be exercised | 763 | 364 | **1,127** |
|  | **1,708** | **1,089** | **2,797** |
| Extension options expected not to be exercised | 907 | 716 | **1,624** |
| Termination options expected to be exercised | 698 | 317 | **1,015** |
|  | **1,606** | **1,033** | **2,639** |

**Authors’ note**

Disclosures of additional information relating to extension and termination options could include (Ind AS 116.B50):

* The lessee’s reasons for using extension options or termination options and the prevalence of those options
* The relative magnitude of optional lease payments to lease payments
* The prevalence of the exercise of options that were not included in the measurement of lease liabilities
* Other operational and financial effects of those options

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e., to provide a basis for users to assess the effect of leases on the financial position, financial performance, and cash flows of the lessee).

**Group as a lessor**

The Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (see Note 4). These leases have terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the Group during the year is INR 2,527 lacs (2020: INR 2,478 lacs).

Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

|  |  |  |
| --- | --- | --- |
|  | **2021** | **2020** |
|  | INR lacs | INR lacs |
| Within one year | 2,552 | 2,502 |
| After one year but not more than five years | 10,134 | 9,936 |
| More than five years | 10,622 | 10,555 |
|  | **23,308** | **22,993** |

**Covid-19 commentary**

As described in Note 2.4 the MCA issued Covid-19-Related Rent Concessions - amendment to Ind AS 116 Leases to provide relief to lessees from applying Ind AS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

Many lessors have provided rent concessions to lessees as a result of the Covid-19 pandemic. Rent concessions can include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods. Applying the requirements in Ind AS 116 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, while still providing useful information about leases to users of the financial statements.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under Ind AS 116, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic.

A lessee that applies the practical expedient discloses that it has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient. In addition, a lessee discloses the amount recognised in profit or loss to reflect changes in lease payments that arise from such rent concessions to which the lessee has applied the practical expedient.

Entities will need to assess whether the regulator in their jurisdiction allows the use of the relief and the date from which it is effective.

The Group did not have any leases impacted by the amendment.

1. Commitments and contingencies

|  |
| --- |
| 1. Commitments   Estimated amount of contracts remaining to be executed on capital account and not provided for:  At 31 March 2021, the Group had commitments of INR 4,158 lacs (31 March 2020: INR 8,100 lacs) including INR 36 lacs (31 March 2020: INR Nil,) relating to the completion of the fire equipment safety facility and INR 558 lacs (31 March 2020: INR 929 lacs) relating to the Group’s interest in the joint venture.  The Group has various lease contracts that have not yet commenced as at 31 March 2021. The future lease payments for these non-cancellable lease contracts are INR 86,400 lacs within one year, INR 351,000 lacs within five years and INR 192,600 lacs thereafter. |
| 1. Contingent liabilities   Claims against the group not acknowledged as debts  Legal claim contingency   * An overseas customer has commenced an action against the Group in respect of equipment claimed to be defective. The estimated pay-out is INR 15 lacs should the action be successful. A trial date has not yet been set and therefore it is not practicable to state the timing of the payment, if any.   The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these financial statements.  **Contingent liability acquired in a business combination**   * The Group recognised a contingent liability of INR 720 lacs in the course of the acquisition of Extinguishers Limited (see notes 16 and 36). |
| Guarantees excluding financial guarantees  The Group has provided the following guarantees at 31 March 2021:   * Guarantee to an unrelated party for the performance in a contract by the joint venture. No liability is expected to arise * Guarantee of its share of INR 36 lacs (31 March 2020: INR 23 lacs) of the associate’s contingent liabilities which have been incurred jointly with other investors   The group has assessed that it is only possible, but not probable, that outflow of economic resources will be required. |
| Financial guarantees  The Group has given guarantee for 25% of the bank overdraft of the associate to a maximum amount of INR 900 lacs (31 March 2020: INR 450 lacs). This financial guarantee is incurred jointly with other investors of the associate. The carrying amounts of the related financial guarantee contracts were INR 157 lacs and INR 88 lacs at 31 March 2021 and 31 March 2020, respectively) (Also refer note 15). |

1. Related party transactions

Note 35 above provides the information about the Group’s structure including the details of the subsidiaries and the holding company. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Sales to related parties | Purchases from related parties | Amounts  owed by  related parties\* | Amounts  owed to  related  parties\* |
|  |  | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Entity with significant influence over the Group: | | | | | |
| IF Limited | 31 March 2021 | 12,807 | - | 1,116 | - |
|  | 31 March 2020 | 10,755 | - | 990 | - |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Associate:** |  |  |  |  |  |
| P Limited | 31 March 2021 | 5,220 | - | 992 | - |
|  | 31 March 2020 | 3,780 | - | 1,048 | - |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Joint venture in which the parent is a venturer:** | | | | | |
| S Limited | 31 March 2021 | - | 1,062 | - | 54 |
|  | 31 March 2020 | - | 774 | - | 22 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Key management personnel of the Group:** | | | | | |
| Other directors’ interests | 31 March 2021 | 405 | 918 | - | 18 |
|  | 31 March 2020 | 243 | 882 | - | 18 |
|  |  |  |  |  |  |

*\* The amounts are classified as trade receivables and trade payables, respectively (see Notes 9 and 20).*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Loans given | Repayment | Interest received | Amounts owed by related parties |
| **Loans from/to related parties** |  | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Associate: |  |  |  |  |  |
| P Limited | 31 March 2021 | 480 | - | 36 | 360 |
|  | 31 March 2020 | - | - | - | - |
|  |  |  |  |  |  |
| **Key management personnel of the Group:** | | | | | |
| Directors’ loans | 31 March 2021 | 32 | 23 | 2 | 23 |
|  | 31 March 2020 | 15 | 15 | 2 | 14 |
| There were no transactions other than dividends paid between the Group and S.J. Limited, the ultimate parent during the financial year (31 March 2020: INR Nil). | | | | | |
| 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 and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2020: INR Nil,). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. | | | | | |

|  |
| --- |
| **Authors’ note**  The disclosure that transactions with related parties are made on terms equivalent to an arm’s length transaction is only made if an entity can substantiate such terms. The Group was able to substantiate the terms and therefore provides the disclosure. |

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| --- |
| Loan to an associate  The loan granted to P Limited is intended to finance an acquisition of new machines for the manufacturing of fire prevention equipment. The loan is unsecured and repayable in full on 1 September 2020. Interest is charged at 10%. The loan has been utilized for the purpose it was granted, viz., acquisition of new machines for the manufacturing of fire prevention equipment.  For details of financial guarantee given by group to bank for an associate loan, refer note 43. |
| Commitments with related parties  On 1 October 2020, B Limited entered into a two-year agreement ending 30 September 2022 with Wireworks Inc. to purchase specific electrical and optical cables that B Limited uses in its production cycle. B Limited expects the potential purchase volume to be INR 1,350 lacs in 2020 and INR 450 lacs in the first six months of 2021. The purchase price is based on Wireworks Inc.’s actual cost plus a 5% margin and will be settled in cash within 30 days of receiving the inventories. |
| The Group has provided a contractual commitment to B Limited, whereby if the assets held as collaterals by B Limited for its borrowing falls below a credit rating of ‘AA’, the parent will substitute assets of an equivalent of ‘AA’ rating. The maximum fair value of the assets to be replaced is INR 360 as at 31 March 2021 (31 March 2020: INR 378).The Group will not suffer a loss on any transaction arising from this commitment, but will receive assets with a lower credit rating from those substituted. |
| Transactions with key management personnel  Directors’ loans  The group operates loan scheme providing loan to all employees. Under the scheme, the Group offers senior management a facility to borrow up to INR 36 repayable within five years from the date of disbursement. Such loans are unsecured and the interest rate is the average rate incurred on long-term loans (currently MIBOR + 0.8). Any loans granted are included in financial instruments on the face of the balance sheet. |
| Other directors’ interests  During both 31 March 2021 and 31 March 2020, Group companies made purchases at market prices from Gnome Industries Limited, of which the spouse of one of the directors of the Group is a director and controlling shareholder.  One director has a 25% (31 March 2020: 25%) equity interest in Home Fires Limited. The Group has a contract for the supply of fire extinguishers. During 31 March 2021 and 31 March 2020, the Group supplied fire extinguishers to Home Fires Limited at market prices. |

**Compensation of key management personnel of the Group**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Short-term employee benefits | 783 | 763 |
| Post-employment gratuity and medical benefits | 198 | 144 |
| Termination benefits | 72 | - |
| Share-based payment transactions | 32 | 22 |
| **Total compensation paid to key management personnel** | **1,085** | **929** |

|  |
| --- |
| The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.  Generally, the non-executive directors do not receive gratuity entitlements from the Group. During 31 March 2021, an amount of INR 72 was paid to a director who retired from an executive director’s position in 31 March 2020. |

|  |
| --- |
| Directors’ interests in the Senior Executive Plan  Share options held by executive members of the Board of Directors under the Senior Executive Plan to purchase Equity shares have the following expiry dates and exercise prices |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issue date | Expiry date | Exercise price | 31 March 2021 | 31 March 2020 |
|  |  |  | Number outstanding | Number outstanding |
| 31 March 2020 | 2023 | INR 2.33 | 18,000 | 18,000 |
| 31 March 2020 | 2023 | INR 3.13 | 149,000 | 149,000 |
| 31 March 2021 | 2024 | INR 3.85 | 49,000 | - |
| **Total** |  |  | **216,000** | **167,000** |

No share options have been granted to the non-executive members of the Board of Directors under this scheme. Refer to Note 41 for further details on the scheme.

1. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

* The fire prevention equipment segment, which produces and installs extinguishers, fire prevention equipment and fire-retardant fabrics
* The electronics segment, which is a supplier of electronic equipment for defence, aviation, electrical safety markets and consumer electronic equipment for home use. It offers products and services in the areas of electronics, safety, thermal and electrical architecture
* The investment properties segment, which leases offices and manufacturing sites owned by the Group

No operating segments have been aggregated to form the above reportable operating segments.

**Author’s Note**

Ind AS 108.22(a) requires entities to disclose factors used to identify the entity’s reportable segments, including the basis of organisation, such as factors considered in determining aggregation of operating segments. Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects:

a) the nature of the products and services;

b) the nature of the production processes;

c) the type or class of customer for their products and services;

d) the methods used to distribute their products or provide their services; and

e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

This analysis requires significant judgement as to the circumstances of the entity. The Group does not have any operating segments that are aggregated, but, if it had, disclosures about the basis for aggregation must be made.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the performance of S Limited, the Group’s joint venture is evaluated using proportionate consolidation. Also, the Group’s financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties

**Year ended 31 March 2021**

| Particulars | Fire prevention equipment | Electronics | Investment properties | Total segments | Adjustments and eliminations | Consolidated | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | |
| **Revenue** |  |  |  |  |  |  | |
| External customers | 2,51,716 | 1,24,673 | 2,527 | 3,78,915 | (54,084) | 3,24,831 | |
| Inter-segment | - | 13,437 | - | 13,437 | (13,437) | - | |
| **Total revenue** | **2,51,715** | **1,38,110** | **2,527** | **3,92,352** | **(67,521)** | **3,24,831** | |
|  |  |  |  |  |  |  | |
| **Income/(Expenses)** |  |  |  |  |  |  | |
| Depreciation and amortisation | (6,961) | (880) | (551) | (8,392) | - | (8,392) | |
| Goodwill impairment  (Note 5, 6) | - | (360) | - | (360) | - | (360) | |
| Share of profit of  an associate and a joint venture (Notes 38,39) | 1,208 | - | - | 1,208 | - | 1,208 | |
|  |  |  |  |  |  |  | |
| **Segment profit** | **17,239** | **5,342** | **578** | **23,159** | **(3,163)** | **19,996** | |
| **Total assets** | **1,04,557** | **80,665** | **33,241** | **2,18,463** | **34,067** | **2,52,530** | |
| **Total liabilities** | **37,534** | **13,054** | **8,467** | **59,055** | **81,111** | **1,40,166** | |
| **Other disclosures** |  |  |  |  |  |  |
| Investments in an associate and a joint venture (Notes 38, 39) | 5,737 | - | - | 5,737 | - | 5,737 |
| Capital expenditure | 33,928 | 5,116 | 2,189 | 41,233 | - | 41,233 |

**Year ended 31 March 2020**

| Particular | Fire prevention equipment | Electronics | Investment properties | Total segments | Adjustments and  eliminations | Consolidated |
| --- | --- | --- | --- | --- | --- | --- |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| **Revenue** |  |  |  |  |  |  |
| External customers | 2,20,329 | 1,19,918 | 2,479 | 3,42,726 | (54,323) | 2,88,403 |
| Inter-segment | - | 13,174 | - | 13,174 | (13,174) | - |
| **Total revenue** | **2,20,329** | **1,33,092** | **2,479** | **3,55,900** | **(67,497)** | **2,88,403** |
|  |  |  |  |  |  |  |
| **Income/(Expenses)** |  |  |  |  |  |  |
| Depreciation and amortisation | (4,920) | (1,098) | (540) | (5,278) | (583) | (7,141) |
| Impairment of property, plant and equipment (Note 3,7) | (542) | - | - | (542) | - | (542) |
| Share of profit of  associate and a joint venture (Notes 38, 39) | 1,148 | - | - | 1,148 | - | 1,148 |
| **Segment profit** | **6,562** | **9,713** | **565** | **16,840** | **(2,191)** | **14,649** |
| **Total assets** | **94,483** | **72,736** | **17,797** | **1,85,016** | **3,979** | **1,88,995** |
| **Total liabilities** | **40,901** | **7,319** | **3,038** | **51,258** | **52,904** | **1,04,162** |
| **Other disclosures** |  |  |  |  |  |  |
| Investments in  an associate and a joint venture (Notes 38, 39) | 4,529 | - | - | 4,529 | - | 4,529 |
| Capital expenditure | 9,468 | 7,853 | 2,146 | 19,467 | - | 19,467 |

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| Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. All other adjustments and eliminations are part of detailed reconciliations presented further below.  **Author’s Note**  Additional disclosure may be required if the chief operating decision maker (CODM), which is the Executive Management Committee of the Group in the case for the group, regularly reviews certain other items recorded in the statement of profit and loss, i.e., depreciation and amortisation, impairments and the share of profit in associates.  Ind AS 108.23(f) requires an entity to disclose material items of income and expense disclosed in accordance with Ind AS 1.97. Ind AS 1.97 requires an entity to disclose separately the nature and amount of material items of income or expense. Adjustments and eliminations Finance income and costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.  Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.  Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.  Inter-segment revenues are eliminated on consolidation. |

**Reconciliations to amounts reflected in the financial statements**

|  |  |  |
| --- | --- | --- |
| **Reconciliation of profit** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| **Segment profit** | **23,159** | **16,840** |
| Finance income (Note 24) | 605 | 380 |
| Fair value gain on financial assets at fair value through profit or loss (Note 23) | 1,530 | - |
| Fair value loss on financial assets at fair value through profit or loss (Note 28) | (2,704) | - |
| Other finance costs (Note 29) | (2,275) | (2,022) |
| Net realised gains from FVTOCI financial assets (elimination) | (4) | - |
| Inter-segment sales (elimination) | (315) | (549) |
| **Profit before tax and discontinued operations** | **19,996** | **14,649** |
|  |  |  |

|  |  |  |
| --- | --- | --- |
| **Reconciliation of assets** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| **Segment operating assets** | **2,18,463** | **1,85,016** |
| Deferred tax assets (Note 19) | 689 | 657 |
| Loans to an associate (Note 44) | 360 | - |
| Loans to directors (Note 44) | 23 | 14 |
| Loan notes (Note 7) | 6,614 | 3,033 |
| Derivatives (Note 7) | 1,984 | 275 |
| Assets classified as held for sale (Note 21) | 24,397 | - |
| **Total assets** | **2,52,530** | **1,88,995** |
|  |  |  |
| **Reconciliation of liabilities** | **31 March 2021** | **31 March 2020** |
|  | **INR Lacs** | **INR Lacs** |
| **Segment operating liabilities** | **59,055** | **51,258** |
| Deferred tax liabilities (Note 19) | 5,276 | 1,960 |
| Liabilities for current tax (net) | 6,323 | 6,427 |
| Borrowings (note 14) | 41,051 | 44,060 |
| Derivatives (note 15) | 4,836 | 457 |
| Liabilities classified as held for sale (Note 21) | 23,625 | - |
| **Total liabilities** | **1,40,166** | **1,04,162** |

**Geographic information**

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
| *Revenue from external customers* | INR Lacs | INR Lacs |
| India | 2,68,104 | 2,40,135 |
| Outside India | 56,727 | 48,268 |
| **Total revenue per consolidated statement of profit or loss** | **3,24,831** | **2,88,403** |
| The revenue information above is based on the locations of the customers.  Revenue from one customer amounted to INR 45,937 lacs (31 March 2020: INR 38,273 lacs), arising from sales in the fire prevention equipment segment. | | |

|  |  |  |
| --- | --- | --- |
| **Non-current operating assets:** |  |  |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| India | 69,464 | 49,540 |
| United States | 16,740 | 13,052 |
| **Total** | **86,204** | **62,592** |
| Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets. | | |

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| **Authors’ note**  Interest income and interest expense have not been disclosed by segment as these items are managed on a group basis, and are not provided to the chief operating decision maker (CODM) at the operating segment level. Disclosure of operating segment assets and liabilities is only required when such measures are provided to the CODM. The Group provides information about operating assets and liabilities to the CODM. The other operations (e.g., treasury) do not constitute an individual operating segment and may be presented under a separate category ‘all other segments’. The results of these operations are reflected in ‘adjustments and eliminations’.  The group had set up its internal reporting based on Ind AS, ahead of Ind AS adoption for external/statutory reporting. Hence, the group’s CODM was already using Ind AS information for economic decision making. This implies that the Group’s internal reporting is already set up to report in accordance with Ind-AS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than Ind-AS. In this case, there is a need to disclose as to how the internally reported items are calculated. Also, reconciliation between the internally reported items and the externally communicated items needs to be presented.  The Group has classified an operating segment as a discontinued operation in 2020. Ind-AS 108 does not provide guidance as to whether segment disclosures apply to discontinued operations. Although the disposed segment is material, the Group has not disclosed the results within the segment disclosures under Ind-AS 108. Ind-AS 105 states that the requirements of other standards do not apply to discontinued operations, unless they specify disclosures applicable to them. Since Ind-AS 108 does not refer to discontinued operations, entities are not required to include them as a reportable segment. This would be the case even if the CODM continued to monitor the discontinued operation until disposal. Nevertheless, an entity would not be prohibited from disclosing such information, if desired.  The Group’s CODM regularly reviews the segment information related to the joint venture based on its proportionate share of revenue, profits, assets and liabilities to make decisions about resources to be allocated to the segment and assess its performance. However, as required by Ind AS 111, the Group’s interest in the joint venture is accounted for in the consolidated financial statements using the equity method. The eliminations arising on account of differences between proportionate consolidation and equity method are included under ‘Adjustments and eliminations’. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Hedging activities and derivatives  Derivatives not designated as hedging instruments The Group uses foreign currency denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 24 months.  **Author’s Note**    The disclosure requirements for entities applying hedge accounting are set out in Ind AS 107.21A-24G.  The objective of the hedge accounting disclosures is for entities to disclose information about:  • The risk management strategy and how it is applied to manage risks (Ind AS 107.22A–22C)  • How the risk management activities may affect the amount, timing and uncertainty of future cash flows (Ind AS 107.23A–23F)  • The effect hedge accounting had on the balance sheet, comprehensive income and the statement of changes in equity (Ind AS 107.24A-24F)  In applying this objective, an entity has to consider the necessary level of detail, the balance between different disclosure requirements, the appropriate level of disaggregation and whether additional explanations are necessary to meet the objective.  The hedge accounting disclosures should be presented in a single note or a separate section of the financial statements. An entity may include information by cross-referencing to information presented elsewhere, such as a risk report, provided that information is available to users of the financial statements on the same terms as the financial statements and at the same time. Cash flow hedges Foreign currency risk:  Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in US dollar and forecast purchases in GBP. These forecast transactions are highly probable, and they comprise about 25% of the Group’s total expected sales in US dollars and about 65% of its total expected purchases in GBP. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.  Commodity price risk:  The Group purchases copper on an ongoing basis as its operating activities in the electronic division require a continuous supply of copper for the production of its electronic devices. The increased volatility in copper price over the past 12 months has led to the decision to enter into commodity forward contracts.  These contracts, which commenced on 1 July 2020, are expected to reduce the volatility attributable to price fluctuations of copper. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy outlined by the Board of Directors.  There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.  The hedge ineffectiveness can arise from:   * Differences in the timing of the cash flows of the hedged items and the hedging instruments * Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments * The counterparties’ credit risk differently impacting the fair value movements of the hedging instruments and hedged items * Changes to the forecasted amount of cash flows of hedged items and hedging instruments   The Group is holding the following foreign exchange and commodity forward contracts:   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **Maturity** | | | | | | |  | **Less than 1 month** | **1 to 3 months** | **3 to 6 months** | **6 to 9 months** | **9 to 12 months** | **Total** | | **At 31 March 2021** |  |  |  |  |  |  | | Foreign exchange forward contracts (highly probable forecast sales) |  |  |  |  |  |  | | Notional amount (in INR lacs) | 5,310 | 5,400 | 5,670 | 6,210 | 5,850 | **28,440** | | Average forward rate (INR/USD) | 71.23 | 72.32 | 73.5 | 74.2 | 74.4 |  | | Foreign exchange forward contracts (highly probable forecast purchases |  |  |  |  |  |  | | Notional amount (in INR lacs) | 2,610 | 2,394 | 3,384 | 3,150 | 2,790 | **14,328** | | Average forward rate (INR/GBP) | 92.32 | 92.67 | 94.65 | 95.02 | 95.2 |  | | Commodity forward contracts |  |  |  |  |  |  | | Notional qty (in tonnes) | - | - | 450 | 530 | - | **980** | | Notional amount (in INR lacs) | - | - | 4,680 | 5,400 | - | **10,080** | | Average hedged rate (in INR lakhs per tonne) | - | - | 10.4 | 10.19 | - |  | | **At 31 March 2020** |  |  |  |  |  |  | | Foreign exchange forward contracts (highly  probable forecast sales) |  |  |  |  |  |  | | Notional amount (in INR lacs) | 4,770 | 5,130 | 5,400 | 5,760 | 5,220 | **26,280** | | Average forward rate (INR/USD) | 67.33 | 67.56 | 67.82 | 68.13 | 68.32 |  | | Foreign exchange forward contracts (highly  probable forecast purchases |  |  |  |  |  |  | | Notional amount (in INR lacs) | 2,250 | 2,070 | 2,700 | 2,880 | 2,610 | **12,150** | | Average forward rate (INR/GBP) | 82.34 | 82.46 | 82.51 | 82.88 | 83.02 |  |   **The impact of the hedging instruments on the balance sheet is, as follows:**   |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Notional amount** | **Carrying amount** | **Line item in the balance sheet** | **Change in fair value used for measuring ineffectiveness for the period** | | **At 31 March 2021** |  |  |  |  | | Foreign exchange forward contracts | 28,440 | 454 | Derivative instruments under current financial assets | 695 | | Foreign exchange forward contracts | 14,328 | (306) | Other current financial liabilities | (178) | | Commodity forward contracts | 10,080 | (1,764) | Other current financial liabilities | (1,764) | | **At 31 March 2020** |  |  |  |  | | Foreign exchange forward contracts | 26,280 | 275 | Derivative instruments under current financial assets | 247 | | Foreign exchange forward contracts | 12,510 | (457) | Other current financial liabilities | (56) |   **The impact of hedged items on the balance sheet is, as follows:**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **31 March 2021** | | | **31 March 2020** | | | |  | **Change in fair  value used for  measuring  ineffectiveness** | **Effective portion of cash flow  hedges** | **Cost of  cash flow hedges** | **Change in fair  value used for  measuring  ineffectiveness** | **Effective portion of cash flow  hedges** | **Cost of  cash flow hedges** | | Highly probable forecast sales | 695 | 297 | 22 | 247 | 193 | - | | Highly probable forecast purchase | (178) | (198) | (16) | (56) | (319) | - | | Copper purchases | (1,647) | (1,111) | (42) | - | - | - |   **The effect of the cash flow hedge in the statement of profit and loss is, as follows:**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **Total hedging gain/(loss)  recognised in OCI** | **Ineffectiveness  recognised in profit or loss** | **Line item in the statement of profit and loss** | **Cost of hedging recognise in OCI** | **Amount  reclassified from OCI to profit or loss** | **Line item in the statement of profit and loss** | | **Year ended 31 March 2021** |  |  |  |  |  |  | | Highly probable forecast sales | 695 | - |  | 38 | (509) | Revenue from contract with customers | | Highly probable forecast purchases | (178) | - |  | (29) | - | Cost of raw material and component consumed | | Copper purchases | (1,647) | 117 | Other expenses | (59) | - |  | | **Year ended 31 March 2020** |  |  |  |  |  |  | | Highly probable forecast sales | 247 | - |  | - | (225) | Revenue from contract with customers | | Highly probable forecast purchases | (56) | - |  | - | 95 | Cost of raw material and component consumed | |

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| Fair value hedge At 31 March 2021, the Group had an interest rate swap agreement in place with a notional amount of USD 67.4 (INR 4043) (2020: INR Nil,) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to MIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 8.25% secured loan. There were no such contracts outstanding as on 31 March 2020.  The decrease in fair value of the interest rate swap of INR 63 (2020: INR Nil) has been recognised in finance costs and offset with a similar gain on the bank borrowings. The ineffectiveness recognised in March 2021 was immaterial. There were no sources of hedge ineffectiveness emerging in these hedging relationships.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Details relating to hedging instrument for March 2021: | | | |  |  | | Fair value hedge | Nominal amount of the hedging instrument (INR in Lacs) | Carrying amount of hedging instrument (INR in lacs) | | Line item in balance sheet where hedging instrument is disclosed | Changes in fair value for calculating hedge ineffectiveness for March 2021 | | Asset | Liabilities | | Interest rate risk  -Interest rate swap | 4,043  (USD 60.56 lacs) | - | 63 | Other current financial liabilities |  | |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | Details relating to hedged items for March 2021: | | | | | | | | |  | Carrying amount of hedged item (INR in Lacs) | | Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of hedged item (INR in Lacs) | | Line item in the balance sheet in which the hedged item is included | Change in value used for calculating hedge ineffectiveness for 2021 | Accumulated amount of fair value adjustments on the hedged item included in the carrying amount of hedged item that have ceased to be adjusted for hedging gains and losses | | Asset | Liabilities | Asset | Liabilities | | Interest rate risk | Nil | 4,043 | Nil | 63 | Non-current borrowings |  | Nil | | - Borrowings | (USD 89.85 lacs) |  |  |  |  | | --- | --- | --- | | Details of impact of fair value hedge on statement of profit and loss: | | | | Fair value hedge | Ineffectiveness recognized in profit or loss | Line items in statement of profit and loss | | Interest rate risk | Nil | NA | | - Borrowings |  Hedge of net investments in foreign operations Included in loans at 31 March 2021 was a borrowing of USD67,400 which has been designated as a hedge of the net investments in the two subsidiaries in the United States, Wireworks Inc. and Sprinklers Inc. This borrowing is being used to hedge the Group’s exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness during the years ended 31 March 2021 and 31 March 2020. The Group has not entered into any hedge of net investments in foreign operation during 31 March 2020.   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Details relating to hedging instrument for March 2021: | | | |  |  |  | |  | Nominal amount of the hedging instrument | | Carrying amount of hedging instrument | | Line item in balance sheet where hedging instrument is disclosed | Changes in fair value for calculating hedge ineffectiveness for March 2021 | | INR in Lacs | USD in Lacs | Asset (INR in Lacs) | Liabilities (INR in Lacs) | | Borrowing (for next 3 to 6 months) | **4,043** | **67.40** | 0 | -351 Debit | Non-current borrowings | (351) |  |  |  |  |  |  | | --- | --- | --- | --- | --- | | Details relating to hedged item for March 2021: | | |  |  | |  | Change in value used for calculating hedge ineffectiveness for 2021 | Balance in Exchange differences on translating the financial statements of a foreign operation | | | | For continuing hedges | For hedges no longer applied | Total balance | | Investment in W Inc. and X Inc. | (351) | (351) | - | (351) |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Details relating to impact of hedge of net investments in statement of profit and loss for year ended 31 March 2021: | | | | | | | |  | Hedging gains and loss recognized in OCI | Hedge ineffectiveness recognized in profit or loss | Line item in statement of profit and loss in which hedge ineffectiveness is recognized | Amount reclassified to statement of profit and loss for which future cash flows are no longer expected to occur | Amount reclassified to statement of profit and loss as hedged item has affected profit or loss | Line item in statement of profit and loss that includes reclassification adjustments | | Investment in W Inc. and X Inc. | 351 | - | NA | NA | NA | NA |   **Covid-19 commentary**  Hedging  Under the current circumstances, an entity’s transactions may be postponed or cancelled, or occur in significantly lower volumes than initially forecast. If the entity designated such transactions as a hedged forecast transaction in a cash flow hedge, it would need to consider whether the transaction was still a ‘highly probable forecast transaction’.    That is, if the Covid-19 pandemic affects the probability of hedged forecast transactions occurring and/or the time period designated at the inception of a hedge, an entity would need to determine whether it can continue to apply hedge accounting to the forecast transaction or a proportion of it, and for continuing hedges whether any additional ineffectiveness has arisen.  • If an entity determines that a forecast transaction is no longer highly probable, but still expected to occur, the entity must discontinue hedge accounting prospectively  • If an entity determines that the timing of a forecast transaction has changed, and the cash flows are now expected to occur at a different time than initially forecast, the outcome would depend on the nature of the hedged item and how the hedge relationship was documented and judgement will be needed in considering the appropriate accounting treatment  • If an entity determines that a forecast transaction is no longer expected to occur, in addition to discontinuing hedge accounting prospectively, it must immediately reclassify to profit or loss any accumulated gain or loss on the hedging instrument that has been recognised in other comprehensive income Embedded derivatives In the year ended March 2021, the Group entered into long-term sale contracts with customers in India. The selling prices in these contracts are fixed and set in USD. These contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyers’ expected sale requirements. These contracts have embedded foreign exchange derivatives that are required to be separated.  The Group also entered into various purchase contracts for brass and chrome (for which there is an active market) with a number of suppliers in South Africa and Russia. The prices in these purchase contracts are linked to the price of electricity. These contracts have embedded commodity swaps that are required to be separated.  These embedded foreign currency and commodity derivatives have been separated and are carried at fair value through profit or loss. The carrying values of the embedded derivatives at 31 March 2021 amounted to INR 378 (other financial assets- note 7) and INR 1,408 (other financial liabilities- note 15) (31 March 2020: both INR Nil). The effects on profit or loss are reflected in other income and other expenses, respectively. |

1. Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group’s financial instruments:

|  | Carrying amount | | Fair value | |
| --- | --- | --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| **Financial assets** |  |  |  |  |
| Other financial assets |  |  |  |  |
| Loans | 6,997 | 3,047 | 7,150 | 3,267 |
| FVTOCI financial investments | 3,577 | 3,236 | 3,577 | 3,236 |
| Foreign exchange forward contracts | 1,152 | - | 1,152 | - |
| Embedded derivatives | 378 | - | 378 | - |
| Derivatives in effective hedges | 454 | 275 | 454 | 275 |
| **Total** | **12,558** | **6,558** | 12,711 | 6,778 |
|  |  |  |  |  |
| **Financial liabilities** |  |  |  |  |
| Borrowings |  |  |  |  |
| Floating rate borrowings\* | (22,799) | (22,682) | (22,799) | (22,682) |
| Fixed rate borrowings | (11,473) | (14,830) | (11,378) | (16,099) |
| Convertible preference shares | (5,000) | (4,759) | (4,979) | (4,718) |
| Financial guarantee contracts | (157) | (88) | (149) | (81) |
| Contingent consideration | (1,930) | - | (1,930) | - |
| Derivatives not designated as hedges |  |  |  |  |
| Foreign exchange forward contracts | (1,296) | - | (1,296) | - |
| Embedded derivatives | (1,408) | - | (1,408) | - |
| Derivatives in effective hedges | (2,132) | (457) | (2,133) | (457) |
| **Total** | **(46,195)** | **(42,816)** | **(46,072)** | **(44,037)** |

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| --- |
| *\* Includes an 8.25% secured loan carried at amortised cost adjusted for the fair value movement due to the hedged interest rate risk.*    **Author’s Note**  Ind AS 107.29 provides that disclosure of the fair values of financial instruments is not required:  • When the carrying amount is a reasonable approximation of fair value (e.g., short-term trade receivables and payables)  • For a contract containing a discretionary participating feature (as described in Ind AS 104) if the fair value of that feature cannot be measured reliably  or  • For lease liabilities  The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.  The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.  **The following methods and assumptions were used to estimate the fair values:**   * Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables. * The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value. * The fair values of the unquoted equity shares have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management’s estimate of fair value for these unquoted equity investments. * The fair values of the remaining FVTOCI financial assets are derived from quoted market prices in active markets. * The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group’s own non-performance risk. As at 31 March 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value. * Embedded foreign currency and commodity derivatives are measured similarly to the foreign currency forward contracts and commodity derivatives. The embedded derivatives are commodity and foreign currency forward contracts which are separated from long-term sales contracts where the transaction currency differs from the functional currencies of the involved parties. However, as these contracts are not collateralised, the Group also takes into account the counterparties’ credit risks (for the embedded derivative assets) or the Group’s own non-performance risk (for the embedded derivative liabilities) and includes a credit valuation adjustment or debit value adjustment, as appropriate by assessing the maximum credit exposure and taking into account market-based inputs concerning probabilities of default and loss given default. * The fair values of the Group’s borrowings are determined by using DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2021 was assessed to be insignificant.   The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 March 2021, 31 March 2020 are as shown below:  **Description of significant unobservable inputs to valuation:** |

|  | **Valuation technique** | | **Significant unobservable inputs** | **Range  (weighted average)** | **Sensitivity of the input to fair value** |
| --- | --- | --- | --- | --- | --- |
| FVTOCI assets in unquoted equity shares - power sector | DCF method | | Long-term growth rate for cash flows for subsequent years | **31 March 2021:** 3.1% - 5.2% (4.2%)  **31 March 2020:** 3.1% - 5.1% (4%) | 5% (31 March 2020: 5%) increase (decrease) in the growth rate would result in increase (decrease) in fair value by INR 30.60 lacs (31 March 2020: INR 27 lacs) |
|  |  | | Long-term operating margin | **31 March 2021:** 5.0% - 12.1% (8.3%)  **31 March 2020:** 5.2% - 12.3% (8.5%) | 15% (31 March 2020: 12%) increase (decrease) in the margin would result in increase (decrease) in fair value by INR 37.80 lacs (31 March 2020: INR 34.24 lacs) |
|  |  | | WACC | **31 March 2021:** 11.2% - 14.3% (12.6%)  **31 March 2020:** 11.5% - 14.1% (12.3%) | 1% (31 March 2020: 2%) increase (decrease) in the WACC would result in decrease (increase) in fair value by INR 18 lacs (31 March 2020: INR 27 lacs) |
|  |  | | Discount for lack of marketability | **31 March 2021:** 5.1% - 15.6% (12.1%)  **31 March 2020:** 5.4% - 15.7% (12.3%) | Increase (decrease) in the discount would decrease (increase) the fair value. |
| FVTOCI assets in unquoted equity shares - electronics sector | DCF method | | Long-term growth rate for cash flows for subsequent years | **31 March 2021:** 4.4% - 6.1% (5.3%)  **31 March 2020:** 4.6% - 6.7% (5.5%) | 3% (31 March 2020: 3%) increase (decrease) in the growth rate would result in increase (decrease) in fair value by INR 41.40 lacs (31 March 2020: INR 45 lacs) |
|  |  | | Long-term operating margin | **31 March 2021:** 10.0% - 16.1% (14.3%)  **31 March 2020:** 10.5% - 16.4% (14.5%) | 5% (31 March 2020: 4%) increase (decrease) in the margin would result in increase (decrease) in fair value by INR 21.60 lacs (31 March 2020: INR 23.40 lacs) |
|  |  | | WACC | **31 March 2021:** 12.1% - 16.7% (13.2%)  **31 March 2020:** 12.3% - 16.8% (13.1%) | 1% (31 March 2020: 2%) increase (decrease) in the WACC would result in decrease (increase) in fair value by INR 37.80 lacs (31 March 2020: INR 39.60 lacs) |
|  |  | | Discount for lack of marketability | **31 March 2021:** 5.1% - 20.2% (16.3%)  **31 March 2020:** 5.3% - 20.4% (16.4%) | Increase (decrease) in the discount would decrease (increase) the fair value. |
| Embedded derivative assets | Forward pricing model | Discount for counterparty credit risk | | **31 March 2021:** 0.02% - 0.05% (0.04%)  **31 March 2020:** 0.01% - 0.04% (0.03%) | 0.5% (31 March 2020: 0.4%) increase (decrease) would result in increase (decrease) in fair value by INR 41.40 lacs (31 March 2020: INR 45 lacs) | |
| Embedded derivative liabilities | Forward pricing model | Discount for non-performance risk | | **31 March 2021:** 0.01% - 0.05% (0.03%)  **31 March 2020:** 0.01% - 0.04% (0.02%) | 0.4% (31 March 2020: 0.4%) increase (decrease) would result in increase (decrease) in fair value by INR 36 lacs (31 March 2020: INR 41.40 lacs) | |
| Loans to an associate and director | DCF method | Constant prepayment rate | | **31 March 2021:** 1.5% - 2.5%  (2%)  **31 March 2020:** 1.6% - 2.7%  (2.2%) | 1% (31 March 2020: 2%) increase (decrease) would result in increase (decrease) in fair value by INR 45 lacs (31 March 2020: INR 37.80 lacs) | |
|  |  | Discount for non-performance risk | | **31 March 2021:** 0.08%  **31 March 2020:** 0.09% | 0.4% (31 March 2020: 0.4%) increase (decrease) would result in increase (decrease) in fair value by INR 37.80 lacs (31 March 2020: INR 36 lacs) | |
| Financial guarantee obligations | DCF method | Discount for counterparty non-performance risk | | **31 March 2021:** 3.0%  **31 March 2020:** 3.2% | 0.5% (31 March 2020: 0.4%) increase (decrease) would result in increase (decrease) in fair value by INR 39.60 lacs (31 March 2020: INR 43.20 lacs) | |
|  |  | Own non-performance risk | | **31 March 2021:** 0.05%  **31 March 2020:** 0.07% | 0.4% (31 March 2020: 0.3%) increase (decrease) would result in increase (decrease) in fair value by INR 34.20 lacs (31 March 2020: INR 39.60 lacs) | |

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| --- |
| The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.  **Reconciliation of fair value measurement of unquoted equity shares classified as FVTOCI assets:** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Power** | **Electronics** | **Total** |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| As at 1 April 2019 | **850** | **567** | **1,417** |
| Re-measurement recognised in OCI | - | - | - |
| Purchases | - | 199 | 199 |
| Reclassified in discontinued operations | - | - | - |
| Sales | - | - | - |
| As at 1 April 2020 | **850** | **766** | **1,616** |
| Re-measurement recognised in OCI | - | (18) | (18) |
| Purchases | - | 1,478 | 1,478 |
| Reclassified in discontinued operations | - | (914) | (914) |
| Sales | - | (294) | (294) |
| As at 31 March 2021 | **850** | **1,018** | **1,868** |

**Reconciliation of fair value measurement of embedded derivative assets and liabilities:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Embedded foreign exchange derivative asset** | **Embedded commodity derivative liability** | |
|  | **Canadian Dollar** | **Brass** | **Chrome** |
|  | **INR Lacs** | **INR Lacs** | **INR Lacs** |
| As at 1 April 2019 | - | - | - |
| Re-measurement recognised in OCI | - | - | - |
| Purchases | - | - | - |
| Sales | - | - | - |
| As at 1 April 2020 | - | - | - |
| Re-measurement recognised in OCI | - | - | - |
| Purchases | 378 | 1,080 | 328 |
| Reclassified in discontinued operations | - | - | - |
| Sales | - | - | - |
| As at 31 March 2021 | 378 | 1,080 | 328 |

**Author’s Note**

An entity should provide additional information that will help users of its financial statements to evaluate the quantitative information disclosed. An entity might disclose some or all the following to comply with Ind AS 113.92:

► The nature of the item being measured at fair value, including the characteristics of the item being measured that are taken into account in the determination of relevant inputs. For example, if the Group had residential mortgage-backed securities, it might disclose the following:

► The types of underlying loans (e.g., prime loans or sub-prime loans)

- Collateral

- Guarantees or other credit enhancements

- Seniority level of the tranches of securities

- The year of issue

- The weighted-average coupon rate of the underlying loans and the securities

- The weighted-average maturity of the underlying loans and the securities

- The geographical concentration of the underlying loans

- Information about the credit ratings of the securities

► How third-party information such as broker quotes, pricing services, net asset values and relevant market data was taken into account when measuring fair value

The Group does not have any liabilities measured at fair value and issued with an inseparable third-party credit enhancement. But if it had such liabilities, Ind AS 113.98 requires disclosure of the existence of credit-enhancement and whether it is reflected in the fair value measurement of the liability.

Ind AS 113.99 requires an entity to present the quantitative disclosures of Ind AS 113 in a tabular format, unless another format is more appropriate. The Group included the quantitative disclosures in tabular format, above.

Ind AS 113.93(h)(ii) requires a quantitative sensitivity analysis for financial assets and financial liabilities that are measured at fair value on a recurring basis. For all other recurring fair value measurements that are categorised within Level 3 of the fair value hierarchy, an entity is required to provide:

► A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement

► If there are inter-relationships between the inputs and other unobservable inputs used in the fair value measurement, a description of the inter-relationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement

For this purpose, significance must be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in OCI, total equity. The Group included the quantitative sensitivity analyses in tabular format, above.

The Ind AS 113 measurement and disclosure requirements do not apply to leasing transactions accounted for under Ind AS 116.

1. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group’s assets and liabilities.

**Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2021:**

|  | Date of valuation | Fair value measurement using | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Total | Quoted prices in active markets (Level 1) | Significant observable inputs  (Level 2) | | Significant unobservable inputs  (Level 3) |
| INR Lacs | INR Lacs | INR Lacs | | INR Lacs |
| **Assets measured at fair value:** | | | | | | |
| **Derivative financial assets (Note 47):** | | | | | | |
| Foreign exchange forward contracts - US dollar | 31 March 2021 | 886 | - | 886 | | - |
| Foreign exchange forward contracts - GB pound sterling | 31 March 2021 | 720 | - | 720 | | - |
| Embedded foreign exchange derivatives - USD | 31 March 2021 | 378 | - | - | | 378 |
| **FVTOCI financial investments (Note 7, 47):** | | | | | |  |
| **Quoted equity shares** |  |  |  |  | |  |
| Power sector | 31 March 2021 | 175 | 175 | - | | - |
| Telecommunications sector | 31 March 2021 | 432 | 432 | - | | - |
| **Unquoted equity shares** |  |  |  |  | |  |
| Power sector | 31 March 2021 | 850 | - | - | | 850 |
| Electronics sector | 31 March 2021 | 1,018 | - | - | | 1,018 |
| **Quoted debt securities** |  |  |  |  | |  |
| Corporate bonds: Consumer products sector | 31 March 2021 | 452 | 452 | - | | - |
| Corporate bonds: Technology sector | 31 March 2021 | 650 | 650 | - | | - |
| **Revalued property, plant and equipment (Note 3)\*:** | | | | | |
| Office properties in India | 31 October 2020 | 19,402 | - | | - | 19,402 |
| **Discontinued operation (Note 21)** | 31 March 2021 | 4,952 | - | | - | 4,952 |
|  |  |  |  | |  |  |
| Assets for which fair values are disclosed (Note 47): | | | | | |  |
| Investment properties (Note 4): | |  |  | |  |  |
| Office properties | 31 March 2021 | 8,546 | - | | - | 8,546 |
| Retail properties | 31 March 2021 | 9,763 | - | | - | 9,763 |
| Loan and receivables |  |  |  | |  |  |
| Loan notes (India) | 31 March 2021 | 2,876 | - | | 2,876 | - |
| Loan notes (US) | 31 March 2021 | 3,870 | - | | 3,870 | - |
| Loan to an associate | 31 March 2021 | 378 | - | | - | 378 |
| Loan to directors | 31 March 2021 | 25 | - | | - | 25 |

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| There have been no transfers between Level 1 and Level 2 during the year ended 31 March 2021.  \* Post transition to Ind AS, revaluations of property, plant and equipment were recognised in Level 3 for the first time. Refer to Note 3 for more information. |

| Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 March 2021: | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Date of valuation | | Fair value measurement using | | | |
| Total | Quoted prices in active markets (Level 1) | Significant observable inputs  (Level 2) | Significant unobservable inputs  (Level 3) |
| INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Liabilities measured at fair value: | | |  |  |  |  | |
| **Derivative financial liabilities (Note 47):** | | | | | | |
| Interest rate swaps | 31 March 2021 | 63 | | - | 63 | - |
| Foreign exchange forward contracts (GB pound sterling) | 31 March 2021 | 1,440 | | - | 1,440 | - |
| Embedded commodity derivatives (brass) | 31 March 2021 | 1,080 | | - | - | 1,080 |
| Embedded commodity derivatives (chrome) | 31 March 2021 | 328 | | - | - | 328 |
| Foreign exchange forward contracts – US dollar | 31 March 2021 | 162 | | - | 162 | - |
| Commodity derivative (copper) | 31 March 2021 | 1,764 | | - | 1,764 | - |
| Contingent consideration liability (Note 36) | 31 March 2021 | 1930 | | - | - | 1930 |
|  |  |  | |  |  |  |
| Liabilities for which fair values are disclosed (Note 47): | | | | | |  |
| Borrowings**:** | |  | |  |  |  |
| Floating rate borrowings (India) | 31 March 2021 | 18,756 | | - | 18,756 | - |
| Floating rate borrowings (US) | 31 March 2021 | 4,044 | | - | 4,044 | - |
| Convertible preference shares | 31 March 2021 | 4,979 | | - | 4,979 | - |
| Fixed rate borrowing | 31 March 2021 | 11,378 | | - | 11,378 | - |
| Financial guarantees | 31 March 2021 | 149 | | - | - | 149 |

There have been no transfers between Level 1 and Level 2 during the year ended 31 March 2021.

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

|  |  | |  | Fair value measurement using | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Date of valuation | | Total | Quoted prices in active markets (Level 1) | | Significant observable inputs  (Level 2) | | Significant unobservable inputs  (Level 3) |
|  |  | | INR Lacs | INR Lacs | | INR Lacs | | INR Lacs |
| Assets measured at fair value: | | |  |  | |  | |  |
| **Derivative financial assets (Note 47):** | | | | | | | | |
| Foreign exchange forward contracts - US dollar | 31 March 2020 | | 180 | - | | | 180 | - |
| Foreign exchange forward contracts - GB pound sterling | 31 March 2020 | | 95 | - | | | 95 | - |
| **FVTOCI financial investments (Note 47):** | | | | | | | |  |
| ***Quoted equity shares*** |  |  | |  | | |  |  |
| Power sector | 31 March 2020 | 175 | | 175 | | | - | - |
| Telecommunications sector | 31 March 2020 | 365 | | 365 | | | - | - |
| ***Unquoted equity shares*** |  |  | |  | | |  |  |
| Power sector | 31 March 2020 | 850 | | - | | | - | 850 |
| Electronics sector | 31 March 2020 | 766 | | - | | | - | 766 |
| ***Quoted debt securities*** |  |  | |  | | |  |  |
| Corporate bonds - consumer products sector | 31 March 2020 | 430 | | 430 | | | - | - |
| Corporate bonds - technology sector | 31 March 2020 | 650 | | 650 | | | - | - |
|  |  |  | |  | | |  |  |
| **Assets for which fair values are disclosed** | | | | | | | |  |
| Investment properties (Note 4): | |  | | |  | |  |  |
| Office properties | 31 March 2020 | 7,321 | | | - | | - | 7,321 |
| Retail properties | 31 March 2020 | 8,480 | | | - | | - | 8,480 |
| Loan and receivables |  |  | | |  | |  |  |
| Loan notes (India) | 31 March 2020 | 3,251 | | | - | | 3,251 | - |
| Loan to directors | 31 March 2020 | 16 | | | - | | - | 16 |

There have been no transfers between Level 1 and Level 2 during the year ended 31 March 2020.

**Quantitative disclosures fair value measurement hierarchy for liabilities as at 31 March 2020:**

|  | |  | Fair value measurement using | | |
| --- | --- | --- | --- | --- | --- |
|  | Date of valuation | Total | Quoted prices in active markets (Level 1) | Significant observable inputs  (Level 2) | Significant unobservable inputs  (Level 3) |
|  |  | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Liabilities measured at fair value: | |  |  |  |  |
| **Derivative financial liabilities (Note 47):** | | | | | |
| Foreign exchange forward contracts – US dollar | 31 March 2020 | 457 | - | 457 | - |
| Liabilities for which fair values are disclosed (Note 47): | | | | |  |
| Borrowings**:** | |  |  |  |  |
| Floating rate borrowings (India) | 31 March 2020 | 18,661 | - | 18,661 | - |
| Floating rate borrowings (US) | 31 March 2020 | 4,021 | - | 4,021 | - |
| Convertible preference shares | 31 March 2020 | 4,718 | - | 4,718 | - |
| Fixed rate borrowing | 31 March 2020 | 16,099 | - | 16,099 | - |
| Financial guarantees | 31 March 2020 | 81 | - | - | 81 |

There have been no transfers between Level 1 and Level 2 during year ended 31 March 2020.

**Author’s Note**

Ind AS 113.94 requires appropriate determination of classes of assets and liabilities on the basis of:

• The nature, characteristics and risks of the asset or liability; and

• The level of the fair value hierarchy within which the fair value measurement is categorised

The Group has applied the factors and disclosed the quantitative information under Ind AS113 based on the classes of assets and liabilities determined as per Ind AS113.94. As judgement is required to determine the classes of properties, other criteria and aggregation levels for classes of assets may also be appropriate, provided they are based on the risk profile of the assets (e.g., the risk profile of properties in an emerging market may differ from that of properties in a mature market).

Inputs used in a valuation technique may fall into different levels of the fair value hierarchy. However, for disclosure purposes, the fair value measurement must be categorised in its entirety (i.e., depending on the unit of account) within the hierarchy. That categorisation may not be so obvious when there are multiple inputs used. Ind AS113.73 clarifies that the hierarchy categorisation of a fair value measurement, in its entirety, is determined based on the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement and consideration of factors specific to the asset or liability (or group of assets and/or liabilities) being measured and any adjustments made to the significant inputs in arriving at the fair value. These considerations have a follow-on impact on the disclosures of valuation techniques, processes and significant inputs and entities should tailor their disclosures to the specific facts and circumstances.

For assets and liabilities held at the end of the reporting period measured at fair value on a recurring basis, Ind AS 113.93(c) requires disclosure of the amounts of transfers between Level 1 and Level 2 of the hierarchy, the reasons for those transfers and the entity’s policy for determining when the transfers are deemed to have occurred. Transfers into each level must be disclosed and discussed separately from transfers out of each level.

1. Financial risk management objectives and policies

|  |
| --- |
| The Group’s principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group’s operations and to provide guarantees to support its operations. The Group’s principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also holds FVTOCI investments and enters into derivative transactions.  The Group is exposed to market risk, credit risk and liquidity risk. The Group’s senior management oversees the management of these risks. The Group’s senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group’s senior management that the Group’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group’s policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group’s policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.  **Market risk**  Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments and derivative financial instruments.  The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020.  The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at 31 March 2021.  The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The analysis for the contingent consideration liability is provided in Note 36.  The following assumptions have been made in calculating the sensitivity analyses:   * The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2021 and 31 March 2020 including the effect of hedge accounting * The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 March 2021 for the effects of the assumed changes of the underlying risk   **Interest rate risk**  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations with floating interest rates.  The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group’s policy is to keep between 40% and 60% of its borrowings at fixed rates of interest, excluding borrowings that relate to discontinued operations. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2021, after taking into account the effect of interest rate swaps, approximately 44% of the Group’s borrowings are at a fixed rate of interest (31 March 2020: 51%,). |
| ***Interest rate sensitivity***  The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group’s profit before tax is affected through the impact on floating rate borrowings, as follows: |

|  |  |  |
| --- | --- | --- |
|  | Increase/decrease in basis points | Effect on profit before tax |
| **31 March 2021** |  | **INR Lacs** |
| INR | +50 | (86) |
| US dollar | +60 | (23) |
|  |  |  |
| INR | -50 | 59 |
| US dollar | -60 | 22 |
|  |  |  |
| **31 March 2020** |  |  |
| INR | +50 | (134) |
| US dollar | +15 | - |
|  |  |  |
| INR | -50 | 112 |
| US dollar | -15 | - |
| The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.  **Foreign currency risk**  Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expense is denominated in a foreign currency) and the Group’s net investments in foreign subsidiaries.  The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales and purchases and 24-month period for net investment hedges.  When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.  The Group hedges its exposure to fluctuations on the translation into INR of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.  At 31 March 2021, the Group hedged 75% (31 March 2020: 70%), for 9 and 12 months respectively, of its expected foreign currency sales. Those hedged sales were highly probable at the reporting date. This foreign currency risk is hedged by using foreign currency forward contracts. | | |
| **Authors’ note**  For hedges of forecast transactions, useful information to help users understand the nature and extent of such risks may include:   * Time bands in which the highly probable forecast transactions are grouped for risk management purposes. * The entity’s policies and processes for managing the risk (for example, how the cash flows of the hedging instruments and the hedged items may be aligned, like using foreign currency bank accounts to address differences in cash flow dates).   Entities should tailor these disclosures to the specific facts and circumstances of the transactions. | | |

|  |
| --- |
| **Foreign currency sensitivity**  The following tables demonstrate the sensitivity to a reasonably possible change in USD and GBP exchange rates, with all other variables held constant. The impact on the Group’s profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Group’s pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group’s exposure to foreign currency changes for all other currencies is not material. |

|  | Change in  USD rate | Effect on profit before tax | Effect on pre-tax equity |
| --- | --- | --- | --- |
|  |  | INR Lacs | INR Lacs |
| **31 March 2021** | +5% | (54) | (277) |
|  | -5% | 36 | 310 |
|  |  |  |  |
| **31 March 2020** | +4% | (72) | (263) |
|  | –4% | 72 | 284 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | Change in  GBP rate | Effect on profit before tax | Effect on pre-tax equity |
|  |  | INR Lacs | INR Lacs |
| **31 March 2021** | +5% | 47 | 184 |
|  | -5% | (27) | (203) |
|  |  |  |  |
| **31 March 2020** | +4% | 56 | 166 |
|  | –4% | (50) | (173) |

|  |  |  |  |
| --- | --- | --- | --- |
| The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in US dollars, where the functional currency of the entity is a currency other than US dollars. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.  The movement in pre-tax equity arises from changes in US dollar borrowings (net of cash and cash equivalents) in the hedge of net investments in US operations and cash flow hedges. These movements will offset the translation of the US operations’ net assets into INR.  **Commodity price risk**  The Group is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of electronic parts and therefore require a continuous supply of copper. Due to the significantly increased volatility of the price of the copper, the Group also entered into various purchase contracts for brass and chrome (for which there is an active market). The prices in these purchase contracts are linked to the price of electricity.  The Group’s Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.  Based on a 12-month forecast of the required copper supply, the Group hedges the purchase price using forward commodity purchase contracts. The forecast is deemed to be highly probable.  Forward contracts with a physical delivery that qualify for normal purchase, sale or usage and that are therefore not recognised as derivatives are disclosed in Note 46. | | | |
| **Commodity price sensitivity**  The following table shows the effect of price changes in copper net of hedge accounting impact. | | | |
|  | Change in year-end price | Effect on profit before tax | Effect on equity |
| **31 March 2021** |  | INR Lacs | INR Lacs |
| Copper | +15% | (220) | (585) |
|  | -15% | 220 | 585 |
| Brass | +4% | (8) | (8) |
|  | -4% | 8 | 8 |
| Chrome | +2% | (10) | (10) |
|  | -2% | 10 | 10 |

|  |
| --- |
| **Equity price risk**  The Group’s listed and non-listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s Board of Directors reviews and approves all equity investment decisions. |
| At the reporting date, the exposure to unlisted equity securities at fair value was INR 1,868 lacs. Sensitivity analyses of these investments have been provided in Note 47.  At the reporting date, the exposure to listed equity securities at fair value was INR 606 lacs. A decrease of 10% on the NSE market index could have an impact of approximately INR 99 lacs on the OCI or equity attributable to the Group. An increase of 10% in the value of the listed securities would also impact OCI and equity. These changes would not have an effect on profit or loss. |
| **Credit risk**  Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group only deals with parties which has good credit rating/ worthiness given by external rating agencies or based on groups internal assessment.  The Group has developed internal credit rating system/ credit worthiness assessment mechanism as well. As per the management procedure, each party is internally rated on the basis of their external ratings (wherever available), respective industry information / trends available, financial position of party and past transactions with the party. These parties are continuously evaluated after assigning internal grades.  The Group has divided parties in three grades based on their performance.  Good: parties with a positive external rating (if available) and stable financial position with no past default is considered in this category.  Average: parties which have standard quality asset and financial position with negligible past default is considered in this category  Doubtful: parties where the company doesn’t have information on their financial position or has past trend of default are considered under this category.  A counterparty whose payment is due more than 90 days after the due date is considered as a defaulted party. This is based on considering the market and economic forces in which the entities in the Group are operating. The Group write-off the amount if the credit risk of counterparty increases significantly due to its poor financial position and failure to make payment beyond a period of 180 days from the due date.  All the financial assets carried at amortized cost were into Good category except debt security carried at FVTOCI of INR 891 as at 31 March 2021 (31 March 2020: Nil) was under as average category and some portion of trade receivable was considered under doubtful category (refer note 9).  The Group has not acquired any credit impaired asset. There was no modification in any financial assets. |
| ***Trade receivables and contract assets***  Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. At 31 March 2021, the Group had 55 customers (31 March 2020: 65 customers,) that owed the Group more than INR 450 lacs each and accounted for approximately 71% (31 March 2020: 76%) of all the receivables and contract assets outstanding. There were five customers (31 March 2020: seven customers,) with balances greater than INR 1,800 lacs accounting for just over 17% (31 March 2020: 19%) of the total amount receivable and contract assets. |
| An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 9. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.  The Group has written off trade receivables amounting to INR 259 lacs during the year (31 March 2020: INR 233 lacs,) as there was no reasonable expectations of recovery and were outstanding for more than 360 days from becoming due. These are however, still subject to enforcement activity.   |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | |  | | **Trade receivable days past due** | | | | | | **Contract asset** |  | |  | | **Current** | **1-30 days past due** | **31-60 days past due** | **61-90 days past due** | **91-360 days past due** | **More than 360 days past due** | **Current** | **Total** | | ECL rate | | 0.10% | 1.60% | 3.60% | 6.60% | 10.60% | 100% | 0.10% |  | | 31-Mar-21 | Estimated total gross carrying amount at default | 43,541 | 790 | 127 | 48 | 26 | 259 | 2,649 | 47,440 | | ECL- simplified approach | (44) | (13) | (5) | (3) | (3) | (259) | (3) | (330) | | Net carrying amount | 43,497 | 777 | 122 | 45 | 23 | - | 2,646 | 47,110 | | 31-Mar-20 | Estimated total gross carrying amount at default | 37,402 | 545 | 256 | 45 | 45 | 233 | 2,789 | 41,315 | | ECL- simplified approach | (31) | (9) | (9) | (3) | (5) | (233) | (3) | (293) | | Net carrying amount | 37,371 | 536 | 247 | 42 | 40 | - | 2,785 | 41,022 | |
| ***Financial instruments and cash deposits***  Credit risk from balances with banks and financial institutions is managed by the Group’s treasury department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group’s Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group’s Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty’s potential failure to make payments.  The Group’s maximum exposure to credit risk for the components of the balance sheet at 31 March 2021 and 31 March 2020 is the carrying amounts as illustrated in Note 9 except for financial guarantees and derivative financial instruments. The Group’s maximum exposure relating to financial guarantees and financial derivative instruments is noted in note 43 and the liquidity table below.   |  |  | | --- | --- | | **Reconciliation of impairment allowance on investment in debt securities at fair value through OCI:** | | | **Impairment allowance measured as 12 months ECL** | **INR lacs** | | Impairment allowance as on 1 April 2019 | - | | Movement in allowance due to |  | | Add/ (less): asset originated or purchased | - | | Add/ (less): modification of contractual cash flow that do not result in derecognition | - | | Add/ (less): derecognition of financial asset | - | | Add/ (less): write-offs | - | | Add/ (less): changes in measurement of loss allowance at an amount equal to 12-month or lifetime ECL | - | | Impairment allowance as on 1 April 2020 | - | | Add/ (less): asset originated or purchased | - | | Add/ (less): modification of contractual cash flow that do not result in derecognition | - | | Add/ (less): derecognition of financial asset | - | | Add/ (less): write-offs | 10 | | Add/ (less): changes in measurement of loss allowance at an amount equal to 12-month or lifetime ECL | - | | Change due to write off |  | | Impairment allowance as on 31 March 2021 | **10** |  |  |  | | --- | --- | | **Reconciliation of impairment allowance on trade and other receivables and contract assets:** | | | **Impairment allowance measured as per simplified approach** | **INR lacs** | | Impairment allowance as on 1 April 2019 | **281** | | Add/ (less): asset originated or acquired | 11 | | Impairment allowance as on 1 April 2020 | **293** | | Add/ (less): asset originated or acquired | 37 | | Impairment allowance as on 31 March 2021 | **330** | |
| **Liquidity risk**  The Group monitors its risk of a shortage of funds using a liquidity planning tool.  The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares and lease liabilities. The Group’s policy is that not more than 25% of borrowings should mature in the next 12-month period. Approximately 10% of the Group’s debt will mature in less than one year at 31 March 2021 (31 March 2020: 11%,) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. |
| ***Excessive risk concentration***  Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry.  In order to avoid excessive concentrations of risk, the Group’s policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.  **Author’s Note**  The maturity analysis should include the remaining contractual maturities for derivative financial liabilities, for which contractual maturities are essential to an understanding of the timing of the cash flows.  **Covid-19 commentary**  Entities with concentrations of risk may face greater risk of loss than other entities. IFRS 7.34(c) requires that  concentration of risk should be disclosed if not otherwise apparent from other risk disclosures provided.    Therefore, entities should consider including the following information:  • A description of how management determines concentrations of risk;  • A description of the shared characteristic that identifies each concentration. For instance, the shared characteristic may refer to geographical distribution of counterparties by groups of countries, individual countries or regions within countries and/or by industry; and  • The amount of the risk exposure associated with all financial instruments sharing that characteristic.  Entities that have identified concentrations of activities in areas or industries affected by the Covid-19 pandemic and have not previously disclosed the concentration because they did not believe that the entity was vulnerable to the risk of a near-term severe impact, should now reconsider making such a disclosure. Similarly, liquidity risk in the current economic environment is increased. Therefore, it is expected that the disclosures required under Ind AS 107 in this area will reflect any significant changes in the liquidity position as a result of the Covid-19 pandemic. Entities should be mindful that this disclosure is consistent with their assessment of the going concern assumption.  The table below summarises the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments |

**Year ended 31 March 2021**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Borrowings (other than lease liabilities & convertible preference shares) | 1,739 | — | 2,560 | 18,997 | 14,400 | 37,696 |
| Lease Liabilities | 86 | 211 | 522 | 4,417 | 2,651 | 7,887 |
| Convertible preference shares | — | — | — | 1,217 | 4,183 | 5,400 |
| Contingent consideration | — | — | 2,025 | — | — | 2,025 |
| Trade and other payables | 9,215 | 22,585 | 1,444 | — | — | 33,244 |
| Financial guarantee contracts\* | 252 | — | — | — | — | 252 |
| Derivatives and embedded derivatives | 3,546 | 4,932 | 704 | 2,144 | 2,392 | 13,718 |
|  | **14,838** | **27,728** | **7,255** | **26,775** | **23,626** | **100,222** |
| Year ended 31 March 2020 | | | | | | |
|  | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs | INR Lacs |
| Borrowings (other than lease liabilities & convertible preference shares) | 4,770 | — | 137 | 15,970 | 20,880 | 41,757 |
| Lease Liabilities | 58 | 162 | 533 | 4,295 | 2,578 | 7,626 |
| Convertible preference shares | — | — | — | 1,123 | 4,277 | 5,400 |
| Trade and other payables | 7,778 | 25,126 | 3,137 | — | — | 36,041 |
| Financial guarantee contracts\* | 163 | — | — | — | — | 163 |
| Derivatives and embedded derivatives | 988 | 2,259 | — | — | — | 3,247 |
|  | **13,757** | **27,547** | **3,807** | **21,388** | **27,735** | **94,234** |

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| \* Based on the maximum amount that can be called for under the financial guarantee contract.  The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year ended 31 March 2021 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | | > 5 years | | Total | |
|  | INR Lacs | INR Lacs | INR Lacs | INR Lacs | | INR Lacs | | INR Lacs | |
| Inflows | 1,440 | 1,800 | 450 | 1,260 | | 1,710 | | 6,660 | |
| Outflows | (3,546) | (4,932) | (704) | (2,144) | | (2,392) | | (13,718) | |
| Net | (2,106) | (3,132) | (254) | (884) | | (682) | | (7,058) | |
| Discounted at the applicable interbank rates | (2,106) | (3,116) | (250) | (833) | | (617) | | (6,923) | |
| Year ended 31 March 2020 |  |  |  | |  | |  | |  | |
| Inflows | 900 | 1,800 | — | | — | | — | | 2,700 | |
| Outflows | (988) | (2,257) | — | | — | | — | | (3,245) | |
| Net | (88) | (457) | — | | — | | — | | (545) | |
| Discounted at the applicable interbank rates | (88) | (457) | — | | — | | — | | (545) | |
|  |  |  |  | |  | |  | |  | |

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| **Collateral**  The Group has pledged part of its short-term deposits in order to fulfil the collateral requirements for the derivatives contracts. At 31 March 2021, 31 March 2020 the fair values of the short-term deposits pledged were INR 9,000, INR 3,600 respectively. The counterparties have an obligation to return the securities to the Group. The Group also holds deposit in respects of derivative contracts INR 1,017 as at 31 March 2021 (31 March 2020: INR 693). The Group has an obligation to repay the deposit to the counterparties upon settlement of the contracts. There are no other significant terms and conditions associated with the use of collateral. |

1. Capital management

For the purpose of the Group’s capital management, capital includes issued equity capital, convertible preference shares, securities premium and all other equity reserves attributable to the equity holders of the parent. Within net debt, the Group includes borrowings less cash and cash equivalents, excluding those related to discontinued operations. Trade and other payables are also excluded from net debt. The primary objective of the Group’s capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group’s policy is to keep the gearing ratio between 5% and 25%.

|  |  |  |
| --- | --- | --- |
|  | 31 March 2021 | 31 March 2020 |
|  | INR Lacs | INR Lacs |
| Borrowings other than convertible preference shares (Note 14, 42) | 43,322 | 43,746 |
| Less: cash and cash equivalents (Note 10) | (29,590) | (26,414) |
| **Net debt** | **13,732** | **17,332** |
|  |  |  |
| Convertible preference shares (Note 14) | 5,000 | 4,759 |
| Equity | 1,12,364 | 84,833 |
| Total capital | 1,17,364 | 89,592 |
| **Capital and net debt** | **1,31,096** | **1,06,924** |
| Gearing ratio | 10.47% | 16.21% |

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| --- |
| In order to achieve this overall objective, the Group’s capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any borrowing in the current period.  No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.  **Author’s Note**  Ind AS 1.134 and Ind AS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives policies and processes for managing capital. The Group has disclosed a gearing ratio as this is the measure it uses to monitor capital. The Group considers both capital and net debt as relevant components of funding and, hence, part of its capital management. However, other measures or a different type of gearing ratio may be more suitable for other entities.  Ind AS 107.18-19 requires disclosures in the event of a default or breaches as at the end of a reporting period and during the year. Although there are no explicit requirements addressing the opposite situation, the Group has disclosed the restriction on capital represented by financial covenants as it considers it relevant information to the users of the financial statements. The Group did not provide additional information on its debt covenants because the likelihood of the breach occurring is remote. |
| 1. Events after the reporting period |
| On 15 May 2021, a building with a net book value of INR 4,018 lacs was severely damaged by flooding and inventories with a net book value of INR 2,067 lacs were destroyed. It is expected that insurance proceeds will fall short of the costs of rebuilding and loss of inventories by INR 1,900 lacs. |
| The board of directors have proposed dividend after the balance sheet date which are subject to approval by the shareholders at the annual general meeting. Refer note 13 for details.  **Covid-19 commentary**  As the Covid-19 pandemic evolves, governments are implementing additional measures to address the resulting public health issues and the economic impact. Entities need to assess if they are affected, or expect to be impacted, by developments and measures taken after the end of their reporting period. A critical judgement and evaluation management needs to make is whether and, if so, what these events provide of evidence of conditions that existed at the end of the reporting period for the entity’s activities or their assets and liabilities.  If management concludes an event is a non-adjusting event, but the impact of it is material, the entity is required to disclose the nature of the event and an estimate of its financial effect unless it is impractical to do so.  Areas that an entity should consider disclosing in its subsequent events note may include:  • The measures taken to minimise the impact of the Covid-19 pandemic and to continue operations  • That the entity continues to monitor the Covid-19 pandemic situation and will take further action as necessary in response to the economic disruption  • Any issuance of debt or equity or refinancing undertaken after reporting. Entities should disclose any amendments or waivers of covenants agreed by lenders to accommodate Covid-19 related concerns  • Organisational restructurings to reduce the impact of the Covid-19 pandemic and whether any disposals of business units have been decided  • The impact of the subsequent restrictions imposed by governments that caused disruption to businesses and economic activity and the expected effects on revenue and operations  • Any decisions made to suspend or alter dividends made after considering the inherent uncertainty surrounding the financial impact of the Covid-19 pandemic  • Whether the Covid-19 outbreak may continue to cause disruption to economic activity and whether there could be further adverse impacts on revenue |

1. Standards issued but not yet effective

**Authors’ note**

Ind AS 8.30 requires disclosure of standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity’s financial statements. The Group has listed all standards and interpretations that are not yet effective, primarily for the illustrative purpose of these financial statements. An alternative that entities may consider would be to only list and address those which are expected to have an impact on the Group’s financial position, performance, and/or disclosures.

1. Statutory Group Information

| **Name of the entity in the group** | | **Net Assets, i.e., total assets minus total liabilities** | | | **Share in profit and loss** | | **Share in other Comprehensive income** | | **Share in total Comprehensive income** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As % of consolidated net assets** | | **INR Lacs** | **As % of consolidated profit and loss** | **INR Lacs** | **As % of consolidated other comprehensive income** | **INR Lacs** | **As % of total comprehensive income** | **INR Lacs** |
| **Parent** |  |  | |  |  |  |  |  |  |  |
| 1 | Illustration Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 60% | | 67,003 | 47% | 6,952 | 100% | 212 | 48% | 7,166 |
|  | Balance as at 31 March 2020 | 73% | | 62,224 | 67% | 6,902 | 100% | -656 | 65% | 6,246 |
|  |  |  | |  |  |  |  |  |  |  |
| **Subsidiaries** | |  | |  |  |  |  |  |  |  |
| **Indian** |  |  | |  |  |  |  |  |  |  |
| 1 | Extinguishers Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 8% | | 9,436 | 7% | 1,071 | 0% | - | 7% | 1,071 |
|  | Balance as at 31 March 2020 | 0% | | - | 0% | - | 0% | - | 0% | - |
| 2 | Lightbulbs Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 3% | | 3,640 | 8% | 1,127 | 0% | - | 8% | 1,127 |
|  | Balance as at 31 March 2020 | 3% | | 2,367 | 0% | 18 | 0% | - | 0% | 18 |
| 3 | B Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 3% | | 3,430 | -2% | (301) | 0% | - | -2% | (301) |
|  | Balance as at 31 March 2020 | 5% | | 3,974 | -4% | (423) | 0% | - | -4% | (423) |
| 4 | Fire Equipment Test Lab Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 6% | | 6,942 | 10% | 1,542 | 0% | - | 10% | 1,542 |
|  | Balance as at 31 March 2020 | 0% | | - | 0% | - | 0% | - | - | - |
| 5 | H Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 5% | | 5,241 | 7% | 980 | 0% | - | 7% | 980 |
|  | Balance as at 31 March 2020 | 6% | | 4,953 | 8% | 834 | 0% | - | 9% | 834 |
| 6 | Electronics Limited |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 1% | | 1,053 | 3% | 403 | 0% | - | 3% | 403 |
|  | Balance as at 31 March 2020 | 1% | | 650 | 3% | 320 | 0% | - | 3% | 320 |
|  |  |  | |  |  |  |  |  |  |  |
| **Foreign** | |  | |  |  |  |  |  |  |  |
| 1 | Wireworks Inc. |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 1% | | 1,562 | 1% | 217 | 0% | - | 1% | 217 |
|  | Balance as at 31 March 2020 | 1% | | 1,256 | 2% | 174 | 0% | - | 2% | 174 |
| 2 | Sprinklers Inc. |  | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | 4% | | 3,982 | 7% | 996 | 0% | - | 7% | 996 |
|  | Balance as at 31 March 2020 | 4% | | 3,551 | 9% | 888 | 0% | - | 9% | 888 |
|  |  |  | |  |  |  |  |  |  |  |
| **Non-controlling interests in all subsidiaries** | | | |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | | 4% | 4,338 | 4% | 520 | 0% | - | 3% | 518 |
|  | Balance as at 31 March 2020 | | 2% | 1,329 | 4% | 430 | 0% | - | 4% | 430 |
|  |  | |  |  |  |  |  |  |  |  |
| **Associates** | | |  |  |  |  |  |  |  |  |
| **Indian** |  | |  |  |  |  |  |  |  |  |
| 1 | Power Works Limited | |  |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | | 1% | 1,375 | 1% | 149 | 0% | - | 1% | 149 |
|  | Balance as at 31 March 2020 | | 1% | 1,226 | 1% | 146 | 0% | - | 2% | 146 |
|  |  | |  |  |  |  |  |  |  |  |
| **Joint ventures (as per proportionate consolidation/investment as per the equity method)** | | | | | | |  |  |  |  |
| **Indian** |  | |  |  |  |  |  |  |  |  |
| 1 | S Limited | |  |  |  |  |  |  |  |  |
|  | Balance as at 31 March 2021 | | 4% | 4,362 | 7% | 1,059 | 0% | - | 7% | 1,059 |
|  | Balance as at 31 March 2020 | | 4% | 3,303 | 10% | 1,003 | 0% | - | 10% | 1,003 |
|  |  | |  |  |  |  |  |  |  |  |
| **Total** | Balance as at 31 March 2021 | | 100% | 1,12,364 | 100% | 14,715 | 100% | 212 | 100% | 14,927 |
|  | Balance as at 31 March 2020 | | 100% | 84,833 | 100% | 10,292 | 100% | -656 | 100% | 9,636 |