

**JKM Erla Automotive Limited**  
**Statutory audit for the year ended**  
**31 March 2016**

# B S R & Co. LLP

Chartered Accountants

Maruthi Info-Tech Centre  
11-12/1 Inner Ring Road  
Koramangala  
Bangalore 560 071 India

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## **Independent Auditors' Report**

**To the Members of JKM Erla Automotive Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of JKM Erla Automotive Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and the cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



## **Independent Auditors' Report (continued)**

### **Auditor's Responsibility (continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its loss and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and



**Independent Auditors' Report (continued)**

**Report on Other Legal and Regulatory Requirements (continued)**

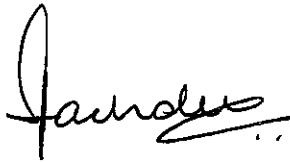
(g) with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. the Company did not have any pending litigations which would impact the financial statements;
- ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. there were no amounts during the year which were required to be transferred to the Investor Education and Protection Fund by the Company.

*for B S R & Co. LLP*

*Chartered accountants*

Firm registration number: 101248W/W-100022



**Supreet Sachdev**

*Partner*

Membership number: 205385

Place: Bangalore

Date: 25 May 2016

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

The Annexure referred to in paragraph Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

- (i) The Company does not have fixed assets. Thus, paragraph 3(i) of the Order is not applicable.
- (ii) The Company has not started commercial operations. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made and security and guarantee given.
- (v) The Company has not accepted any deposits from the public.
- (vi) As the Company is yet to start commercial operations, accordingly the provisions of clause (vi) regarding maintenance of cost records under sub-section (1) of Section 148 of the Act are not applicable.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed Income-tax has been generally regularly deposited during the year by the Company with the appropriate authority though there has been certain delays in few cases. As explained to us, the Company did not have any dues on account of Provident Fund, Employees' State Insurance, Sales tax, Service tax, duty of customs, duty of excise, Value Added Tax and Cess during the year.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income-tax that were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues in respect of Income-tax which have not been deposited by the Company on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company did not have any outstanding dues to debenture holders during the year.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loan taken by the Company have been applied for the purpose for which they were raised.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees or a fraud by the Company has

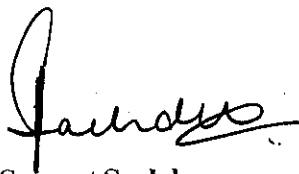
**Annexure to the Independent Auditors' Report (continued)**

- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, there is no managerial remuneration paid/ provided during the year.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable.

*for BSR & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W / W-100022



**Supreet Sachdev**

*Partner*

Membership number: 205385

Place: Bangalore

Date: 25 May 2016

**Annexure to the Independent Auditors' Report (continued)**

**Annexure - B to the Independent Auditors' Report**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of JKM Erla Automotive Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal financial controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



**Annexure to the Independent Auditors' Report (continued)**

**Meaning of Internal Financial Controls over Financial Reporting**

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

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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

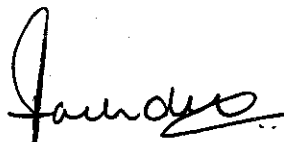
**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022



**Supreet Sachdev**

*Partner*

Membership number: 205385

Bangalore

25 May 2016



**JKM Erla Automotive Limited**  
**Balance sheet as at**

(Amount in Rs)

	Note	31 March 2016	31 March 2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	48,00,00,000	43,35,76,940
Reserves and surplus	4	(17,51,03,200)	(9,40,70,162)
		<u>30,48,96,800</u>	<u>33,95,06,778</u>
<b>Non-current liabilities</b>			
Long-term borrowings	5	50,00,00,000	9,28,43,104
Other long-term liabilities	6	-	45,06,331
		<u>50,00,00,000</u>	<u>9,73,49,435</u>
<b>Current liabilities</b>			
Short-term borrowings	7	1,20,06,483	37,88,02,001
Other current liabilities	8	11,57,44,691	10,82,59,985
		<u>12,77,51,174</u>	<u>48,70,61,986</u>
		<u><u>93,26,47,974</u></u>	<u><u>92,39,18,199</u></u>
<b>Assets</b>			
<b>Non-current assets</b>			
Non-current investments	9	91,98,75,000	91,98,75,000
Long-term loans and advances	10	55,20,548	-
Other non-current assets	11	41,98,329	14,82,496
		<u>92,95,93,877</u>	<u>92,13,57,496</u>
<b>Current assets</b>			
Cash and cash equivalents	12	4,26,598	1,75,047
Other current assets	13	26,27,499	23,85,656
		<u>30,54,097</u>	<u>25,60,703</u>
		<u><u>93,26,47,974</u></u>	<u><u>92,39,18,199</u></u>

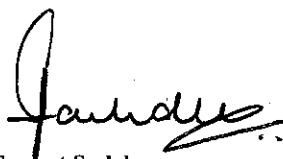
Significant accounting policies 2

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

for **BSR & Co. LLP**  
Chartered Accountants

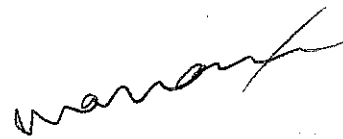
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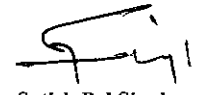
**Supreet Sachdev**  
Partner  
Membership number: 205385

Place: Bangalore  
Date: 25 May 2016

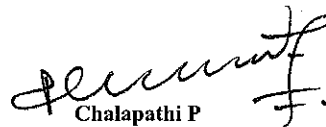
for and on behalf of the Board of Directors of  
**JKM Erla Automotive Limited**



**Udayant Malhoutra**  
Director  
DIN No: 00053714

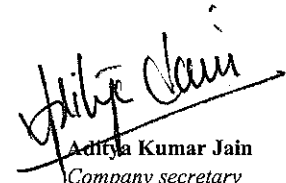


**Satish Pal Singh**  
Director  
DIN: 07046472



**Chalapathi P**  
Chief Financial Officer

Place: Bangalore  
Date: 25 May 2016



**Aditya Kumar Jain**  
Company secretary

**JKM Erla Automotive Limited**  
**Statement of profit and loss for the year ended**

(Amount in Rs)

	Note	31 March 2016	31 March 2015
<b>Expenses</b>			
Finance costs	14	4,11,94,496	2,52,62,986
Other expenses	15	3,72,28,403	2,07,36,375
<b>Total expenses</b>		<b>7,84,22,899</b>	<b>4,59,99,361</b>
<b>Loss before tax</b>		<b>(7,84,22,899)</b>	<b>(4,59,99,361)</b>
<b>Tax expense</b>		-	-
<b>Net loss after tax</b>		<b>(7,84,22,899)</b>	<b>(4,59,99,361)</b>
<b>Loss per equity share</b>			
-Basic and diluted		(1.66)	(1.62)
<b>Weighted average number of equity shares</b>			
-Basic and diluted	23	4,71,93,989	2,84,79,452

Significant accounting policies

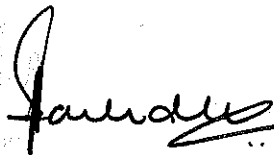
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The notes referred to above form an integral part of the financial statements.

As per our report of even date attached

for **BSR & Co. LLP**  
 Chartered Accountants

Firm registration number: 101248W/W-100022



**Supreet Sachdev**  
 Partner

Membership number: 205385

Place: Bangalore  
 Date: 25 May 2016


for and on behalf of the Board of Directors of  
**JKM Erla Automotive Limited**



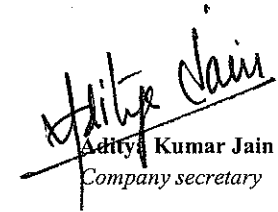
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 Director  
 DIN No: 00053714



**Satish Pal Singh**  
 Director  
 DIN: 07046472



**Chalapathi P**  
 Chief Financial Officer



**Aditya Kumar Jain**  
 Company secretary

Place: Bangalore  
 Date: 25 May 2016

**JKM Erla Automotive Limited**  
**Cash flow statement for the year ended**

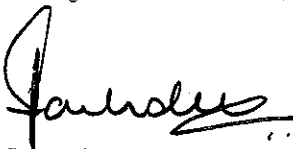
(Amount in Rs)

	31 March 2016	31 March 2015
<b>Cash flows from operating activities</b>		
Loss before tax	(7,84,22,899)	(4,59,99,361)
Adjustments:		
Effect of exchange rate changes	3,17,96,689	1,70,66,554
Amortization of loan processing charges	27,67,324	23,85,656
Interest expenses	3,84,27,172	2,28,77,330
<b>Operating cash flow before working capital changes</b>	<b>(54,31,714)</b>	<b>(36,69,821)</b>
Changes in other current liabilities	58,30,815	56,32,077
Changes in long term loans and advances	(55,20,548)	-
Changes in other non current assets	(27,15,833)	-
<b>Cash (used in)/generated by operations</b>	<b>(78,37,280)</b>	<b>19,62,256</b>
Income tax paid	-	-
<b>Net cash (used in)/generated by operating activities (A)</b>	<b>(78,37,280)</b>	<b>19,62,256</b>
<b>Cash flows from investing activities</b>		
Loan repaid by a subsidiary	-	9,30,39,980
<b>Net cash generated by investing activities (B)</b>	<b>-</b>	<b>9,30,39,980</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares	10,00,00,000	50,00,00,000
Payment on account of redemption of preference shares	(8,63,63,800)	(50,00,00,000)
Proceeds from borrowings	50,00,00,000	-
Repayment of borrowings	(9,78,74,917)	(9,02,70,619)
Loan taken from holding company	10,76,89,192	11,25,49,997
Loan repaid to holding company	(47,44,84,710)	(9,30,36,880)
Interest paid	(4,08,76,933)	(2,48,96,270)
<b>Net cash generated by/(used in) financing activities (C)</b>	<b>80,88,832</b>	<b>(9,56,53,772)</b>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	2,51,551	(6,51,536)
Cash and cash equivalents at the beginning of the year	1,75,047	8,26,583
Cash and cash equivalents at the end of the year (refer note 12)	<b>4,26,598</b>	<b>1,75,047</b>

As per our report of even date attached

for **B S R & Co. LLP**  
 Chartered Accountants  
 Firm registration number: 101248W/W-100022

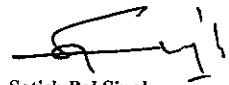
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**Supreet Sachdev**  
 Partner  
 Membership number: 205385



**Udayant Malhoutra**  
 Director  
 DIN No: 00053714



**Satish Pal Singh**  
 Director  
 DIN: 07046472

Place: Bangalore  
 Date: 25 May 2016



**Chalapathi P**  
 Chief Financial Officer



**Aditya Kumar Jain**  
 Company secretary

Place: Bangalore  
 Date: 25 May 2016

**JKM Erla Automotive Limited**  
**Notes to the financial statement**

**1. Company overview**

JKM Erla Automotive Limited ("the Company") was incorporated on 8 February 2011 under provisions of the Companies Act, 1956 ('the Act'). The Company is incorporated with the object clause to set up automotive components processing / manufacturing unit for the purpose of designing, manufacturing and selling automotive engine parts, components and accessories as original equipment manufacturers.

**2. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

**a) Basis of accounting and preparation of financial statements**

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the accounting principles generally accepted in India, except for certain financial instruments which are measured at fair values. GAAP comprises mandatory accounting standard prescribed under Section 133 of the Companies Act, 2013 ("Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, the provision of the Act (to the extent notified and applicable), other pronouncements of the Institute of Chartered Accountants of India ('ICAI'). The accounting policies have been consistently applied by the Company. The financial statements are presented in Indian rupees.

**b) Use of estimates**

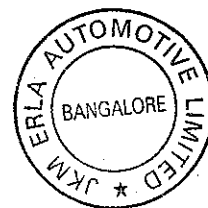
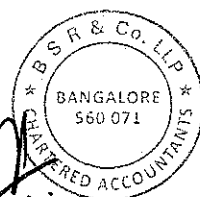
The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future years.

**c) Loss per share**

The basic loss per share is computed by dividing the net loss attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The Company did not have any potentially dilutive equity shares during the year.

**d) Cash flow statement**

Cash flows are reported using indirect method, whereby net loss before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated.



**JKM Erla Automotive Limited**  
**Notes to the financial statement**

**e) Provisions and contingencies**

The Company recognizes a provision when there is a present obligation as a result of past (or obligating) event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

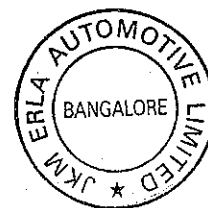
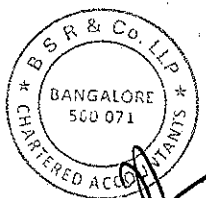
**f) Impairment of assets**

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

**g) Foreign currency transactions and balances**

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions in foreign currency are recognized at the rate of exchange prevailing on the date of the transaction. Exchange difference arising on foreign exchange transactions settled during the year is recognized in the statement of profit and loss for the year.

All monetary assets and liabilities denominated in foreign currency are restated at the rates existing at the year end and the exchange gains/ losses arising from the restatement are recognized in the statement of profit and loss, except exchange differences arising on other long term foreign currency monetary items are accumulated in 'Foreign Currency Monetary Item Translation Difference Account' (FCMITDA), and are amortized over the balance period of the relevant foreign currency item.



**JKM Erla Automotive Limited**  
**Notes to the financial statement**

**h) Derivative instruments and Hedge accounting**

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities, firm commitments and highly probable forecasted transactions denominated in foreign currency. The Company limits the effects of foreign exchange rate fluctuations by following its risk management policies. In accordance with its risk management policies and procedures, the Company uses derivative instruments such as interest rate swaps to hedge its risks associated with floating interest rate fluctuations. The Company enters into derivative financial instruments, where the counterparty is a bank.

The Company has applied the principles of AS 30 'Financial Instruments: Recognition and Measurement', to the extent that the application of the principles does not conflict with existing accounting standards and other authoritative pronouncements of the Company Law Board and other regulatory requirements.

The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value and are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives i.e. gain or loss is recognized directly in shareholders' funds under "hedge reserve" to the extent considered effective. Gain or loss upon fair value on derivative instruments that either do not qualify for hedge accounting or are not designated as cash flow hedges or designated as cash flow hedges to the extent considered ineffective, are recognized in the statement of profit and loss.

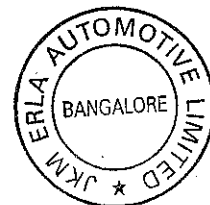
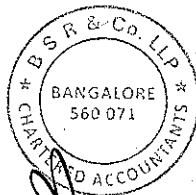
It is the policy of the Company to enter into derivative contracts to hedge interest rate risk related to loan liabilities. The derivative arrangements are co-terminus with the loan agreement and it is the intention of the Company not to foreclose such arrangements during the tenure of the loan. Accordingly, the Company designates and applies cash flow hedge accounting on such types of arrangements.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognized in shareholder's funds under "hedge reserve" is retained until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction in statement of profit and loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to statement of profit and loss in the same year.

The fair value of derivative instruments is determined based on observable market inputs and estimates including currency spot and forward rates, yield curves and currency volatility.

**i) Investments**

Long-term investments are valued at cost less any other-than-temporary diminution in value, determined on the specific identical basis.



**JKM Erla Automotive Limited**  
**Notes to the financial statement**

**j) Income-tax**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax asset/ liability as at the balance sheet date resulting from timing differences between book profit and tax profit are not considered to the extent that such asset/ liability is expected to get reversed in the future years within the tax holiday period. Deferred tax assets are recognized only to the extent that there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

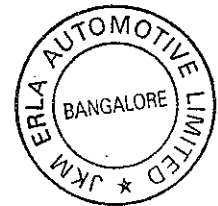
The Company offsets, on a year on year basis, the current tax assets and liabilities where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

**k) Cash and cash equivalents**

Cash and cash equivalents in the cash flow statement comprise cash and balances with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of 3 months or less and that is readily convertible to known amounts of cash or cash equivalents.



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**JKM Erla Automotive Limited**  
Notes to the financial statements

(Amount in Rs)

As at  
31 March 2016 As at  
31 March 2015

**3. Share capital**

*Authorised*

55,000,000 (previous year: 55,000,000) equity shares of Rs 10 each	55,00,00,000	55,00,00,000
5,000,000 (previous year: 5,000,000) preference shares of Rs 10 each	5,00,00,000	5,00,00,000
	<u>60,00,00,000</u>	<u>60,00,00,000</u>

**Issued, subscribed and fully paid up**

48,000,000 (previous year: 43,000,000) equity shares of Rs 10 each	48,00,00,000	43,00,00,000
Nil (previous year: 3,57,694) 0.01% non cumulative redeemable preference shares of Rs 10 each	-	35,76,940
	<u>48,00,00,000</u>	<u>43,35,76,940</u>

**Reconciliation of shares outstanding at the beginning and at the end of the year:**

Particulars	31 March 2016		31 March 2015	
	Number of shares	Amount in Rs	Number of shares	Amount in Rs
<b>Equity shares</b>				
At the commencement of the year	4,30,00,000	43,00,00,000	1,80,00,000	18,00,00,000
Shares issued during the year*	50,00,000	5,00,00,000	2,50,00,000	25,00,00,000
At the end of the year	4,80,00,000	48,00,00,000	4,30,00,000	43,00,00,000
<b>Non-cumulative redeemable preference shares</b>				
At the commencement of the year	3,57,694	35,76,940	26,36,000	2,63,60,000
Shares Redeemed during the year (refer note 16)	(3,57,694)	(35,76,940)	(22,78,306)	(2,27,83,060)
At the end of the year	-	-	3,57,694	35,76,940

\* During the year, the Company has granted 5,000,000 number of equity shares at a face value of Rs. 10/- each with a premium of Rs. 10/- each. These shares were allotted to Dynamatic Technologies Limited ("DTL") on 29 May 2015 at a consideration of Rs. 100,000,000.

**Rights, preferences and restrictions attached to equity shares**

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time after subject to preference shareholders, if any. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts, if any, in proportion to the number of equity shares held.

**Rights, preferences and restrictions attached to preference shares**

0.01% redeemable, non-cumulative redeemable preference shares [NCRPS] of Rs 10 each were placed with SHL Trading Limited on 8 June 2011 at a premium of Rs 115 per share. These shares may be redeemed, in whole or in part, at the option of the Company or the holder at any time on or after 18 months from the date of allotment at a price that ensures to the subscriber an internal rate of return of 18% per annum. The holders of these shares are entitled to a non-cumulative dividend of 0.01% on face value of the NCRPS.

There are no equity shares which are allotted as fully paid-up without payment being received in cash during the period of five years immediately preceding the balance sheet date.

There are no equity shares which are allotted as fully paid-up bonus shares during the period of five years immediately preceding the balance sheet date.

The Company has not bought back any shares during the period of five years immediately preceding the balance sheet date.

**Equity shares held by holding company:**

Class of shares (Equity)	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount in Rs	Number of shares	Amount in Rs
Dynamatic Technologies Limited	4,79,99,994	47,99,99,940	4,29,99,994	42,99,99,940

**Particulars of shareholders holding more than 5% shares of a class of shares**

Name of the shareholder	As at 31 March 2016		As at 31 March 2015	
	Number of shares	% of Shares	Number of shares	% of Shares
<b>Equity shares of Rs. 10 each fully paid up held by:</b>				
Dynamatic Technologies Limited - Holding company	4,79,99,994	99.99%	4,29,99,994	99.99%
<b>Non-cumulative redeemable preference shares of Rs 10 each held by:</b>				
SHL Trading Limited	-	-	3,57,694	100%





**JKM Erla Automotive Limited**  
Notes to the financial statements

(Amount in Rs)

	As at 31 March 2016	As at 31 March 2015
<b>4. Reserves and surplus</b>		
<b>Securities premium account</b>		
At the commencement of the year	1,64,23,060	8,76,40,000
Add: Additions during the year (refer note 3)	5,00,00,000	25,00,00,000
Less: Accrual for redemption premium on preference shares (refer note 16)	-	(1,30,00,000)
Less: Premium on redemption of preference shares (refer note 16)	-4,32,86,860	(30,82,16,940)
At the end of the year	<u>2,31,36,200</u>	<u>1,64,23,060</u>
<b>Foreign currency monetary item translation difference account</b>		
At the commencement of the year	(3,13,93,013)	(3,99,46,934)
Add: Exchange loss on account of reinstatement (refer note 26)	(78,87,781)	(85,12,633)
Less: Amortised during the year (refer note 26)	3,17,96,689	1,70,66,554
At the end of the year	<u>(74,84,105)</u>	<u>(3,13,93,013)</u>
<b>Business reconstruction reserve</b>		
At the commencement and at the end of the year	2,00,00,000	2,00,00,000
<b>Hedge reserve</b>		
At the commencement of the year	(90,12,662)	(1,79,76,295)
Less: deletion during the year (refer note 24)	62,67,813	89,63,633
At the end of the year	<u>(27,44,849)</u>	<u>(90,12,662)</u>
<b>Other reserves (Redemption premium accrual)</b>		
At the commencement of the year	3,95,00,000	19,55,00,000
Add: Accrual for redemption premium on preference shares (refer note 16)	-	1,30,00,000
Less: Premium on redemption of preference shares (refer note 16)	(3,95,00,000)	(16,90,00,000)
At the end of the year	<u>-</u>	<u>3,95,00,000</u>
<b>Deficit in the statement of profit and loss</b>		
At the commencement of the year	(12,95,87,547)	(8,35,88,186)
Add: loss for the year	(7,84,22,899)	(4,59,99,361)
Net deficit in the statement of profit and loss	<u>(20,80,10,446)</u>	<u>(12,95,87,547)</u>
<b>Balance at the end of the year</b>	<u>(17,51,03,200)</u>	<u>(9,40,70,162)</u>
<b>5. Long-term borrowings</b>		
<i>Secured</i>		
Term loan from DBS bank @		9,28,43,104
Term loan from IL & FS Financial Services Limited #	50,00,00,000	-
	<u>50,00,00,000</u>	<u>9,28,43,104</u>

@ (Including current maturities of the long term borrowings shown under other current liabilities)

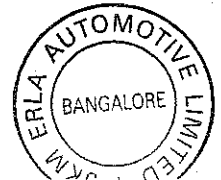
*Term loan from DBS bank*

Details of repayment terms, interest and maturity	Nature of security
Term loan from bank aggregating to Rs. 98,393,979 (USD 1,483,333), (previous year Rs. 185,686,124 (USD 2,966,667)) repayable in 6 half yearly instalments starting after 36 months from the final draw down date i.e. 31 May 2011. The rate of interest is applicable USD LIBOR plus 3% per annum.	First pari passu charge on the fixed assets of the Company and Dynamic Technologies Limited.

*# Term loan from IL & FS Financial Services Limited*

Details of repayment terms, interest and maturity	Nature of security
Term loan from IL & FS Financial Services aggregating to Rs. 500,000,000 (previous year Nil) repayable in 3 annual installments of Rs 125,000,000 at end of 3rd and 4th year and Rs 250,000,000 at the end of 5th year. Interest rate shall be linked to IFIN Benchmark Rate which is currently at 13%.	First pari passu on shares of Dynamic Technologies Limited, corporate guarantee given by Dynamic Technologies Limited. Personal guarantee of Mr. Udayant Malhoutra and demand promisory note.

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**JKM Erla Automotive Limited**  
**Notes to the financial statements**

(Amount in Rs)

	As at 31 March 2016	As at 31 March 2015
<b>6. Other long-term liabilities</b>		
Derivative liability (refer note 24)	-	45,06,331
	<u>-</u>	<u>45,06,331</u>
<b>7. Short-term borrowings</b>		
Loan from holding company (refer note 25) *	1,20,06,483	37,88,02,001
	<u>1,20,06,483</u>	<u>37,88,02,001</u>
* Loan from holding company is repayable on demand and carries an interest of 13% - 15%.		
<b>8. Other current liabilities</b>		
Current maturities of long term borrowings*	9,83,93,979	9,28,43,020
Interest accrued but not due on borrowings	24,49,761	45,85,347
Interest due to ultimate holding company (refer note 25)	1,15,45,724	58,11,879
Derivative liability (refer note 24)	27,44,849	45,06,331
Accrued expenses	5,31,903	3,88,067
Tax deducted at source payable	78,475	1,25,341
	<u>11,57,44,691</u>	<u>10,82,59,985</u>
* Represents current maturities of the term loan taken from DBS Bank.		
<b>9. Non-current investments</b>		
<i>(valued at cost unless stated otherwise)</i>		
<b>Trade investment: unquoted</b>		
<i>Investment in equity instruments</i>		
<b>Investment in subsidiaries - unquoted</b>		
25,000 (previous year: 25,000) stocks of Euro I each fully paid up of JKM Erla Holdings GmbH (refer note 27)	61,98,75,000	61,98,75,000
30,000,000 (previous year: 30,000,000) equity shares of Rs.10 each fully paid up of JKM Ferrotech Limited (refer note 27)	30,00,00,000	30,00,00,000
	<u>91,98,75,000</u>	<u>91,98,75,000</u>
<b>10. Long-term loans and advances</b>		
<i>Unsecured, considered good</i>		
Other deposits	55,20,548	-
	<u>55,20,548</u>	<u>-</u>
<b>11. Other non - current assets</b>		
Prepaid loan processing fees	41,98,329	14,82,496
	<u>41,98,329</u>	<u>14,82,496</u>
<b>12. Cash and cash equivalents</b>		
Cash in hand	600	600
Balances with banks:		
-in current accounts	4,25,998	1,74,447
	<u>4,26,598</u>	<u>1,75,047</u>
<b>13. Other current assets</b>		
Prepaid loan processing fees	26,27,499	23,85,656
	<u>26,27,499</u>	<u>23,85,656</u>

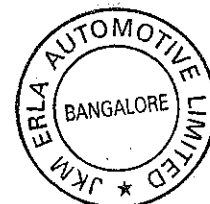
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**JKM Erla Automotive Limited**  
**Notes to the financial statements**

(Amount in Rs)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>14. Finance costs</b>		
Interest expenses	3,84,27,172	2,28,77,330
Amortization of loan processing fees	27,67,324	23,85,656
	<u>4,11,94,496</u>	<u>2,52,62,986</u>
<b>15. Other expenses</b>		
Exchange loss, net	3,36,04,814	1,66,18,253
Rates and taxes	17,30,688	31,43,996
Legal and professional fees	9,26,704	6,74,126
Directors sitting fees	9,00,000	3,00,000
Miscellaneous expenses	66,197	-
	<u>3,72,28,403</u>	<u>2,07,36,375</u>



**JKM Erla Automotive Limited**  
Notes to the financial statements

**16. Commitments**

The Company, had issued 2,636,000 0.01% redeemable, non-cumulative redeemable preference shares [NCRPS] of INR 10 each, with SHL Trading Limited ("Subscriber") on 8 June 2011 at a premium of INR 115 per share aggregating INR 3,300 lacs. These shares were redeemable, in whole or in part after 18 months by subscriber, after giving a notice in writing to the Company, at a price that ensures to the subscriber an internal rate of return of 18% per annum. The Company had redeemed 2,278,306 shares till 31 March 2015 and balance 357,694 NCRPS were redeemed at a price of Rs 241.45 during the year 31 March 2016. The premium on redemption aggregating Rs 82,786,860 was debited to securities premium to the extent of Rs 43,286,860 and other reserves to the extent of Rs 39,500,000.

**17. Contingent liabilities**

The details of contingent liabilities are as under:

Particulars	As at	As at
	31 March 2016	31 March 2015
Corporate guarantee given as security for loan taken by subsidiaries	32,55,49,240	35,61,15,799
<b>Total</b>	<b>32,55,49,240</b>	<b>35,61,15,799</b>

**Movement of Corporate guarantee during the year**

Subsidiaries	As at	Provided during the	Settled/expired during	As at
	1 April 2015	financial year	the financial year	31 March 2016
JKM Ferrotech Limited	35,61,15,799	-	3,05,66,559	32,55,49,240

**Movement of Corporate guarantee during the previous year**

Subsidiaries	As at	Provided during the	Settled/expired during	As at
	1 April 2014	financial year	the financial year	31 March 2015
JKM Ferrotech Limited	36,73,17,670	1,04,19,706	2,16,21,577	35,61,15,799

**18. Hedged foreign currency exposure**

Foreign currency exposures hedged by derivative instruments are as follows:

Particulars	As at 31 March 2016		As at 31 March 2015	
	Foreign Currency	Amount in INR	Foreign Currency	Amount in INR
Loan from DBS bank	USD 14,83,333	INR 9,83,93,979	USD 29,66,667	INR 18,56,86,124
Interest accrued on DBS Loan	USD 36,932	INR 24,49,761	USD 73,259	INR 45,85,347

**19. Segment information**

The Company is yet to start its commercial operations and hence the Company has no segment to disclose.

**20. Dues to Micro, Small and Medium Enterprises**

The Ministry of Micro, Small and Medium Enterprises has issued an Official Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. However, the Company does not have any amounts payable to such enterprises as at 31 March 2016 based on the information received and available with the Company. Also the Company has not received any claim for interest from any supplier under the Micro, Small and Medium Enterprises Development Act, 2006 (previous year: Rs Nil).

**21. Auditors' remuneration (included in legal and professional charges)\***

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
Statutory audit	4,00,000	4,00,000
Reimbursement of expenses	2,000	2,000
<b>Total</b>	<b>4,02,000</b>	<b>4,02,000</b>

\*excludes service tax

**22. Expenditure in foreign currency**

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
Interest expense	-	1,63,47,129
<b>Total</b>	<b>-</b>	<b>1,63,47,129</b>

**23. Computation of weighted average number of shares**

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
Number of equity shares outstanding at beginning of the year	4,30,00,000	1,80,00,000
<b>Add: Weighted average number of equity shares issued during the year</b>		
- Right issue of 25,000,000 number of equity shares issued on 30 October 2014 for 153 days	-	1,04,79,452
- Right issue of 5,000,000 number of equity shares issued on 29 May 2015 for 307 days	41,93,989	-
<b>Weighted average number of equity shares outstanding at the end of the year</b>	<b>4,71,93,989</b>	<b>2,84,79,452</b>



**JKM Erla Automotive Limited**  
Notes to the financial statements

**24. Derivative instruments**

As of 31 March 2016, the company recognised a gain of Rs. 6,267,813 (previous year Rs. 8,963,633) relating to derivative instruments (comprising of foreign currency forward contracts) that are designated as effective cash flow hedges in the Share holders' Fund.

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding as at

Particulars	Currency hedged	31 March 2016	31 March 2015
		Amount in original currency	Amount in original currency
Forward contracts (to hedge borrowings)	USD	14,83,333	29,66,667

The Company does not have any non-designated derivative instruments outstanding as on 31 March 2016 and 31 March 2015.

**25. Related Parties**

<b>Holding company</b>	Dynamic Technologies Limited (DTL)
<b>Subsidiaries</b>	JKM Erla Holdings GmbH, Germany (EHG) Eisenwerk Erla GmbH, Germany (BEG)
<b>Associates</b>	JKM Ferrotech Limited, India (JFTL)
<b>Key Managerial Personnel</b>	Udayant Malhoutra, Director Santhanam Uppili, Director (resigned w.e.f 6 April 2016) Raman Desikan, Manager Aditya Kumar Jain, Company Secretary (appointment w.e.f 5 Feb 2016)

The following is the summary of transactions for the year and balance outstanding at the year end with the related parties: (Amount in Rs)

Name of related parties	Description of transaction	Transactions		Outstanding balance receivable/(payable)	
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
Dynamatic Technologies Limited	(i) Short term borrowings taken	10,76,89,192	11,25,49,997	-	-
	(ii) Short term borrowings (repaid)	(47,44,84,710)	(9,30,36,880)	-	-
	(iii) Interest expenses	-	65,30,201	-	-
JKM Ferrotech Limited	Long term loan (repaid)	-	(9,30,39,980)	-	-

26. Pursuant to the Companies (Accounting standards) Amendment Rules, 2011, vide GSR 914(E) dated 29 December 2011, the Company has exercised the option of accumulating the exchange differences, in respect of accounting periods commencing from 1 April, 2011, on long term foreign currency monetary items. As a result, such exchange differences so far as they relate to the acquisition of non depreciable capital assets have been accumulated in "Foreign currency monetary item translation difference account", to be amortized over the balance period of such long term liability.

**27. (i) Details of non-current investments purchased and sold during the year:**

(Amount in Rs, except as otherwise mentioned)

Particulars	Face value per unit	As at 1 April 2015	Purchased during the year	Sold during the year	As at 31 March 2016
<b>Non-trade investments - Unquoted</b>					
Investments in equity instruments (fully paid)					
(a) Subsidiaries					
JKM Erla Holdings GmbH	Euro 1	619,875,000 (25,000)*	-	-	619,875,000 (25,000)*
JKM Ferrotech Limited	Rs. 10	300,000,000 (30,000,000)*	-	-	300,000,000 (30,000,000)*

\* The amount in parenthesis represents number of shares

**(ii) Details of non-current investments purchased and sold during the previous year:**

(Amount in Rs, except as otherwise mentioned)

Particulars	Face value per unit	As at 1 April 2014	Purchased during the year	Sold during the year	As at 31 March 2015
<b>Non-trade investments - Unquoted</b>					
(a) Investments in equity instruments (fully paid)					
Subsidiaries					
JKM Erla Holdings GmbH	Euro 1	619,875,000 (25,000)*	-	-	619,875,000 (25,000)*
JKM Ferrotech Limited	Rs. 10	300,000,000 (30,000,000)*	-	-	300,000,000 (30,000,000)*

\* The amount in parenthesis represents number of shares



**JKM Erla Automotive Limited**  
Notes to the financial statements

28. (i) Details of loans given during the year:

							(Amount in Rs)	
Name of borrower	Nature of relationship	Secured / unsecured	Rate of Interest	Term	As at 01 April 2015	Given during the year	Repayment / conversion during the year	As at 31 March 2016
JKM Ferrotech Limited	Subsidiary	Unsecured	-	On Demand	-	-	-	-

(ii) Details of loans given during the previous year:

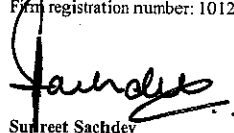
							(Amount in Rs)	
Name of borrower	Nature of relationship	Secured / unsecured	Rate of Interest	Term	As at 01 April 2014	Given during the year	Repayment / conversion during the year	As at 31 March 2015
JKM Ferrotech Limited	Subsidiary	Unsecured	-	On Demand	9,30,39,980	-	(9,30,39,980)	-

The loans have been given to these subsidiaries in the normal course of business for their operations

29 Corresponding figures for the previous year have been re-grouped, where necessary, to confirm to the current year classification.

As per our report of even date attached.

for **BSR & Co. LLP**  
Chartered Accountants  
Firm registration number: 101248W/W-100022

  
Supreet Sachdev  
Partner

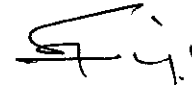
Membership number: 205385

Place: Bangalore  
Date: 25 May 2016

for and on behalf of the Board of Directors of  
**JKM Erla Automotive Limited**



Udayant Malhoutra  
Director  
DIN No: 00053714



Satish Pal Singh  
Director  
DIN: 07046472

  
Chalapathi P  
Chief Financial Officer

Place: Bangalore  
Date: 25 May 2016

  
Aditya Kumar Jain  
Company secretary

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