

# B S R & Co. LLP

Chartered Accountants

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Koramangala  
Bangalore 560 071 India

Telephone: + 91 80 3980 6000  
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## Independent Auditors' Report

### To the Members of JKM Ferrotech Limited

#### Report on the Financial Statements

We have audited the accompanying financial statements of JKM Ferrotech 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 and presentation 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 of 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.

#### Auditors' 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)**

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 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 then ended.

**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 paragraphs 3 and 4 of the Order to the extent applicable.
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 it 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



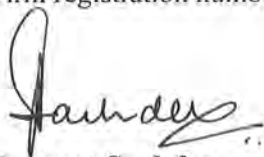
**Independent Auditors' Report (continued)**

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

*for B S R & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022



**Supreet Sachdev**

*Partner*

Membership number: 205385

Bangalore

Date: 25 May 2016

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

With reference to the Annexure referred to in paragraph 1 in Report on Other Legal and Regulatory Requirements of the Independent Auditor's Report to the members of JKM Ferrotech Limited ('the Company') on the standalone financial statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed asset were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventories have been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt in the books.
- (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) The Company has not given any loans, investments, guarantees, and security under the provisions of Section 185 and 186 of the Act.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government of India for maintenance of cost records under Section 148 (1) of the Act in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (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 statutory dues including Provident Fund, Employees' State Insurance, Income-tax, sales-tax, Service tax, duty of customs, duty of excise, value added tax and other material statutory dues have been generally regularly deposited with appropriate authorities, though there has been slight delays in few cases.



**Annexure-A to the Independent Auditors' report (continued)**

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales tax, Service tax, duty of customs, duty of excise, Value Added Tax, Cess and other statutory dues 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, Sales tax, Service tax, duty of customs, duty of excise, or Value Added Tax which have not been deposited with the appropriate authorities 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 its bankers. The Company did not have any outstanding dues to financial institutions, government and debenture holders during the year.
- (ix) In our opinion and according to the information and explanations given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Thus, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for Managerial Remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act..
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Thus, 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 Section 177 and 188 of Act, where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made preferential allotment of 10,000,000 equity shares to Dynamatic Technologies Limited during the year as per the provisions of Section 42 of the Act.

In our opinion and according to the information and explanations given to us as there is no condition with respect to utilisation of amount raised by allotment of equity shares, we are not able to comment on the utilisation of amount raised.



B S R & Co. LLP

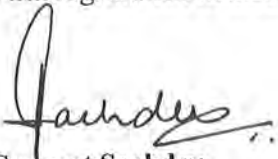
**Annexure-A to the Independent Auditors' report (continued)**

- (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 any non-cash transactions with directors or persons connected with him. Thus, paragraph 3(xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

*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

**Independent Auditors' Report (continued)**

**Annexure B to the Independent Auditors' Report to the members of JKM Ferrotech Limited for the year ended March 31, 2016**

**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 Ferrotech Limited ('the Company') as of March 31, 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.



**Independent Auditors' Report (continued)**

**Annexure B to the Independent Auditors' Report to the members of JKM Ferrotech Limited for the year ended March 31, 2016 (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.

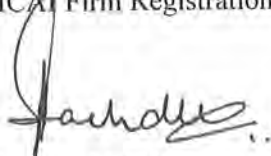
**Opinion**

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 ICAI.

for **B S R & Co. LLP**

*Chartered Accountants*

ICAI Firm Registration No: 101248W/W-100022



**Supreet Sachdev**

*Partner*

Membership No: 205385

Place: Bangalore

Date: 25 May 2016



**JKM Ferrotech Limited**  
Balance sheet as at

(Amount in Rupees)

	Note	31 March 2016	31 March 2015
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,465,130,640	1,365,130,640
Reserves and surplus	4	(1,232,879,265)	(1,123,131,446)
		<u>232,251,375</u>	<u>241,999,194</u>
<b>Non-current liabilities</b>			
Long term borrowings	5(A)	373,500,000	411,500,000
Other non-current liabilities	5(B)	233,206,334	-
		<u>606,706,334</u>	<u>411,500,000</u>
<b>Current liabilities</b>			
Short term borrowings	6	26,373,089	161,337,999
Trade payables	7	278,690,218	354,743,695
Other current liabilities	8	131,096,262	206,219,857
Short term provisions	9	3,945,659	3,469,618
		<u>440,105,228</u>	<u>725,771,169</u>
		<u>1,279,062,937</u>	<u>1,379,270,363</u>
<b>Assets</b>			
<b>Non current assets</b>			
Fixed assets			
- Tangible assets	10	981,486,796	1,062,062,394
- Intangible assets	10	1,547,946	2,296,796
- Capital work in progress		645,932	3,604,227
		<u>983,680,674</u>	<u>1,067,963,417</u>
Non-current investment	11	900,000	-
Deferred tax assets, net	12	-	-
Long term loans and advances	13	47,972,256	40,548,917
Other non-current assets	14	1,346,279	1,242,442
		<u>50,218,535</u>	<u>41,791,359</u>
<b>Current assets</b>			
Inventories	15	145,321,189	138,708,172
Trade receivables	16	40,961,192	27,884,584
Cash and bank balances	17	12,719,672	4,987,055
Short term loan and advances	18	28,118,787	46,319,602
Other current assets	19	18,042,888	51,616,174
		<u>245,163,728</u>	<u>269,515,587</u>
		<u>1,279,062,937</u>	<u>1,379,270,363</u>
Significant accounting policies	2		

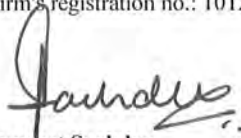
The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

for **BSR & Co. LLP**

Chartered Accountants

Firm's registration no.: 101248W / W-100022



Supreet Sachdev

Partner

Membership No.: 205385

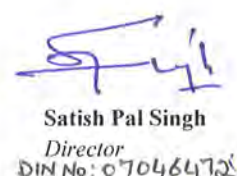
Place: Bangalore

Date: 25 May 2016

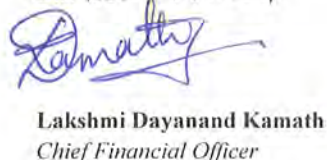
for and on behalf of the Board of Directors of  
**JKM Ferrotech Limited**



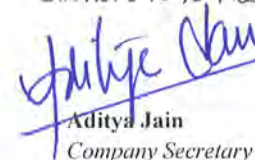
Suresh Jayapal Naidu  
Director  
DIN No: 06876264



Satish Pal Singh  
Director  
DIN No: 07046472



Lakshmi Dayanand Kamath  
Chief Financial Officer



Aditya Jain  
Company Secretary

Place: Bangalore

Date: 25 May 2016

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

(Amount in Rupees)

	Note	31 March 2016	31 March 2015
<b>Revenue from operations</b>			
Sale of manufactured products, gross		1,329,303,014	1,299,146,961
Less: excise duty		(68,476,941)	(86,848,022)
Sale of manufactured products, net		<u>1,260,826,073</u>	<u>1,212,298,939</u>
Other operating revenues	20	28,911,193	38,008,210
<b>Total revenue from operations</b>		<u>1,289,737,266</u>	<u>1,250,307,149</u>
Other income	21	3,998,992	19,084,815
<b>Total revenue</b>		<u>1,293,736,258</u>	<u>1,269,391,964</u>
<b>Expenses</b>			
Cost of raw material and components consumed	22	641,796,479	729,138,187
Change in inventories of finished goods and work in progress	23	(9,011,926)	(21,955,552)
Employee benefits expenses	24	70,228,358	63,638,956
Finance costs	25	88,039,180	153,253,218
Depreciation and amortisation		90,898,189	91,087,680
Other expenses	26	521,533,797	476,732,231
<b>Total expenses</b>		<u>1,403,484,077</u>	<u>1,491,894,720</u>
<b>Loss before exceptional expense and tax</b>		<b>(109,747,819)</b>	<b>(222,502,756)</b>
<b>Exceptional expenses</b>	27	-	54,261,075
<b>Loss after exceptional expense and before tax</b>		<b>(109,747,819)</b>	<b>(276,763,831)</b>
<b>Tax expense</b>		-	-
<b>Loss after tax</b>		<u><b>(109,747,819)</b></u>	<u><b>(276,763,831)</b></u>
<b>Loss per equity share</b>			
Basic and diluted		(0.80)	(3.00)
<b>Weighted average number of equity shares</b>			
Basic and diluted	44	136,758,966	92,252,790
Significant accounting policies	2		

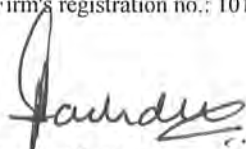
The notes referred to above form an integral part of the financial statements.

As per our report attached.

for **BSR & Co. LLP**

Chartered Accountants

Firm's registration no.: 101248W / W-100022



**Supreet Sachdev**

Partner

Membership No.: 205385

Place: Bangalore

Date: 25 May 2016

for and on behalf of the Board of Directors of

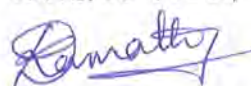
**JKM Ferrotech Limited**



**Suresh Jayaram Naidu**

Director

DIN No: 06876264



**Lakshmi Dayanand Kamath**

Chief Financial Officer

Place: Bangalore

Date: 25 May 2016



**Satish Pal Singh**

Director

DIN No: 07046472



**Aditya Jain**

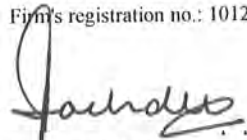
Company Secretary

**JKM Ferrotech Limited**  
**Cash flow statement for the year ended**

(Amount in Rupees)

	31 March 2016	31 March 2015
<b>Cash flow from operating activities</b>		
Loss after exceptional expense and before tax	(109,747,819)	(276,763,831)
Adjustments :		
Depreciation and amortization	90,898,189	91,087,680
Interest expense	88,039,180	153,253,218
Interest income	(3,866,706)	(3,222,332)
Profit on sale of fixed assets, net	(132,286)	(48,519)
Provision for doubtful debt	1,530,376	2,671,041
Unrealised foreign exchange differences	-	(25,252)
<b>Operating cash flow before working capital changes</b>	<b>66,720,934</b>	<b>(33,047,995)</b>
Changes in trade receivables	(14,606,984)	12,229,649
Changes in inventories	(6,613,017)	(32,760,919)
Changes in loans and advances and other current assets	44,072,990	(17,174,582)
Changes in trade payables	(76,053,477)	17,844,907
Changes in other current and non-current liabilities	258,749,754	(293,708,003)
Changes in provisions	476,041	(299,194)
<b>Cash generated from operations</b>	<b>272,746,241</b>	<b>(346,916,137)</b>
Taxes paid	(585,581)	(561,552)
<b>Net cash generated by/ (used in) operating activities (A)</b>	<b>272,160,660</b>	<b>(347,477,689)</b>
<b>Cash flow from investing activities</b>		
Interest received	3,866,706	3,222,332
Purchase of fixed assets	(11,914,457)	(34,716,269)
Proceeds from sale of fixed assets	2,373,559	41,378,622
Purchase of investment	(900,000)	-
(Increase) in margin money deposits	(367,823)	(353,612)
<b>Net cash (used in)/ generated by investing activities (B)</b>	<b>(6,942,015)</b>	<b>9,531,073</b>
<b>Cash flow from financing activities</b>		
Proceeds from share capital	100,000,000	450,000,000
Proceeds from borrowings	127,000,000	140,588,411
Repayment of borrowings	(368,189,079)	(161,436,573)
Interest paid	(116,560,935)	(108,173,842)
<b>Net cash (used in)/generated by financing activities (C)</b>	<b>(257,750,014)</b>	<b>320,977,996</b>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	7,468,631	(16,968,620)
Cash and cash equivalents at the beginning of the year	1,178,545	18,147,165
Cash and cash equivalents at the end of year (refer note 17)	<b>8,647,176</b>	<b>1,178,545</b>

for **BSR & Co. LLP**  
Chartered Accountants  
Firm's registration no.: 101248W / W-100022



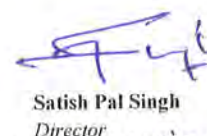
**Supreet Sachdev**  
Partner  
Membership No.: 205385

Place: Bangalore  
Date: 25 May 2016

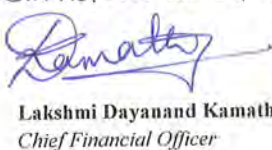
for and on behalf of the Board of Directors of  
**JKM Ferrotech Limited**



**Suresh Jayapal Naidu**  
Director  
DIN No: 06876264



**Satish Pal Singh**  
Director  
DIN No: 07046472



**Lakshmi Dayanand Kamath**  
Chief Financial Officer



**Aditya Jain**  
Company Secretary

Place: Bangalore  
Date: 25 May 2016

**JKM Ferrotech Limited**  
**Notes to the financial statements**

**1 Company overview**

JKM Ferrotech Limited (“the Company”) was incorporated in 2007 as Sanmar Ferrotech Limited under provision of the Companies Act, 1956 (“the Act”). The Company is in the business of manufacturing iron castings.

During the year ended 31 March 2012, Sanmar Company GmbH through one of its wholly owned subsidiary (Sanmar Overseas Investments AG) entered into share purchase agreement dated 31 May 2011 with JKM Erla Automotive limited (JEAL), a wholly owned subsidiary of Dynamatic Technologies Limited to sell stake of the Company along with certain other companies. The effective date of control was 1 April 2011.

**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. 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 financial statements are presented in Indian rupees.

These financial statements have been prepared on a going concern basis, notwithstanding accumulated losses as at 31 March 2016 which has resulted in the erosion of more than fifty percent of the peak net worth during the immediately preceding four financials years due to the following considerations:

- Expected steady future growth reflected in financial projections prepared by the Management;
- Expected continual technical and financial support by the ultimate holding company;

These financial statements, therefore, do not include any adjustments relating to recoverability and classification of asset amounts or to classification and amount of liabilities that may be necessary if the Company was unable to continue as a going concern.

**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 recognized prospectively in current and future periods.



**JKM Ferrotech Limited**  
**Notes to the financial statements**

**c) Fixed assets and depreciation**

Tangible fixed assets are stated at the cost (or revalued amounts, as the case may be) of acquisition or construction, less accumulated depreciation. All costs incurred in bringing the assets to its working condition for intended use have been capitalised.

The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Advances paid towards the acquisition of fixed assets, outstanding at each balance sheet date are shown under capital advances. The cost of the fixed asset not ready for its intended use on such date, is disclosed under capital work-in progress.

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the statement of profit and loss in the period in which they are incurred.

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Company supported by technical evaluation. Depreciation for assets purchased/ sold during a period is proportionately charged. The Company estimates the useful life as determined as given below:

<b>Class of assets</b>	<b>Estimated useful life</b>
Assets taken on lease	Period of lease or useful life of assets whichever is lower
Buildings	30 years
Plant and machinery/ Measuring Instruments/ Electrical Installations* (Shift Depreciation)	10 years, 13 years and 21 years for 3 shifts, 2 shifts and 1 shift respectively
Office equipment	5 years
Data processing equipment	4 years
Tools, dies and moulds	9 years
Vehicles	10 years

*\* Based on technical evaluation the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence, the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013*

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

**d) Intangibles fixed assets**

**Acquired intangible assets**

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates. Application software is amortized over a period of 4 years based on its useful life.



**JKM Ferrotech Limited**  
**Notes to the financial statements**

**e) Inventories**

- (i) Inventories are carried at the lower of cost and net realizable value.
- (ii) Cost of inventories comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. The method of determination of cost is as follows:
- Raw materials and components – on weighted average basis
  - Work-in-progress – includes costs of conversion
  - Finished goods – includes costs of conversion
  - Goods in transit – at purchase cost
- (iii) Fixed production overheads are allocated on the basis of normal capacity of production facilities.
- (iv) The comparison of cost and net realisable value is made on an item-by-item basis.
- (v) The net realizable value of work-in-progress is determined with reference to the net realizable value of related finished goods. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realizable value.
- (vi) The provision for inventory obsolescence is assessed on a quarterly basis and is provided as considered necessary.

**f) Employee benefits**

**(i) Provident fund**

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

**(ii) Compensated absences**

The eligible employees of the Company are entitled to compensated absence. The aforesaid employees can carry-forward a portion of the unutilized accumulating compensated absence and utilize it in future periods or receive cash compensated absences at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. The Company recognizes accumulated compensated absences based on actuarial valuation. Non-accumulating compensated absences are recognised in the period in which absences occur. The Company recognizes actuarial gain and losses immediately in the statement of profit and loss.

**(iii) Gratuity**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. The gratuity fund is managed by the Life Insurance Corporation of India (LIC). The Company's obligation in respect of the gratuity plan, which is a defined benefit plan, is provided for based on actuarial valuation carried out by an independent actuary using the projected unit credit method. The Company recognizes actuarial gain and losses immediately in the statement of profit and loss.



**JKM Ferrotech Limited**  
**Notes to the financial statements**

**g) Revenue recognition**

Revenue from sale of products is recognized when the risks and rewards of ownership are transferred to customers. The amount recognized as sales is exclusive of excise duty, sales tax, trade and quantity discounts. Revenue from sale of products has been presented both gross and net of excise duty.

Service income is recognized when an unconditional right to receive such income is established. Interest on deployment of funds is recognized using the time proportion method, based on the underlying interest rates. Duty drawback and focus product scheme incentive is recognised on accrual basis.

**h) Foreign exchange transactions**

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 ruling at the year end and the exchange gains/losses arising there from are adjusted to the statement of profit and loss.

**i) 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.

**j) Investment**

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

**k) Operating leases**

Lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

**l) Earnings per share**

The basic earnings per share is computed by dividing the net profit 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 outstanding during the year.



**m) 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.

**n) 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.

**o) 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.

**p) 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.





3. Share capital

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
<b>Equity shares</b>		
180,000,000 (previous year: 150,000,000) equity shares of Rs.10 each*	1,800,000,000	1,500,000,000
<b>Issued, subscribed and fully paid-up</b>		
<b>Equity shares</b>		
146,513,064 (previous year: 136,513,064) equity shares of Rs. 10 each fully paid up	1,465,130,640	1,365,130,640
	<b>1,465,130,640</b>	<b>1,365,130,640</b>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount (Rs.)	Number of shares	Amount (Rs.)
Shares outstanding at the beginning of the year	136,513,064	1,365,130,640	91,513,064	915,130,640
Shares issued during the year	10,000,000 #	100,000,000	45,000,000 ##	450,000,000
Shares outstanding at the end of the year	<b>146,513,064</b>	<b>1,465,130,640</b>	<b>136,513,064</b>	<b>1,365,130,640</b>

\* During the year, the Company vide its Extra ordinary general meeting dated 11 February 2016 has increased its authorised Share capital from Rs. 1,500,000,000 divided into 150,000,000 equity shares of Rs.10 each to Rs 1,800,000,000 divided into 180,000,000 equity shares of Rs.10 each.

# During the year, the Company has obtained the Shareholders' approval by way of special resolution passed in Extraordinary General Meeting dated 22 March 2016 to issue 10,000,000 equity shares at face value of Rs. 10 each to Dynamic Technologies Limited (holding company). The said shares were allotted on 23 March 2016 on a preferential allotment basis.

## During the previous year, the Company had obtained the Shareholders' approval by way of special resolution passed in Extraordinary General Meeting dated 18 February 2015 to issue 45,000,000 equity shares at face value of Rs. 10 each to Dynamic Technologies Limited (holding company). The said shares were allotted on 26 March 2015.

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 dividend 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.

Shares held by holding/ultimate holding Company and/or their subsidiaries/ associates

Name of Shareholder	As at 31 March 2016		As at 31 March 2015	
	Number of shares	Amount (Rs.)	Number of shares	Amount (Rs.)
Dynamic Technologies Limited*	55,000,000	550,000,000	45,000,000	450,000,000
JKM Erla Automotive Limited	30,000,000	300,000,000	30,000,000	300,000,000
Eisenwerk Erla GmbH	40,999,994	409,999,940	40,999,994	409,999,940
JKM Global Pte Limited	20,513,064	205,130,640	20,513,064	205,130,640
Total	<b>146,513,058</b>	<b>1,465,130,580</b>	<b>136,513,058</b>	<b>1,365,130,580</b>

\* Dynamic Technologies Limited is ultimate Holding Company as it holds more than 50% of voting rights in JKM Ferrotech Limited [direct holding: 37.54% and indirect holding through JKM Erla Automotive Limited 20.48% and through Eisenwerk Erla GmbH 27.98%; total holding: 86%]

Details of equity shares allotted as fully paid-up without payment being received in cash during the period of five years immediately preceding the balance sheet date is given below:

Particulars	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
No of shares issued	-	-	-	-	-

Details of equity shares allotted as fully paid-up bonus shares during the period of five years immediately preceding the balance sheet date is give below:

Particulars	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
No of shares issued	-	-	-	-	-

Details of shareholders holding more than 5 percent of equity shares along with the number of equity shares held:

Name of 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 held by</b>				
Dynamic Technologies Limited	55,000,000	37.54%	45,000,000	32.96%
JKM Erla Automotive Limited	30,000,000	20.48%	30,000,000	21.98%
Eisenwerk Erla GmbH	40,999,994	27.98%	40,999,994	30.03%
JKM Global Pte Limited	20,513,064	14.00%	20,513,064	15.03%

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



(Amount in Rupees)

4. Reserves and surplus

Particulars	As at	As at
	31 March 2016	31 March 2015
<b>Deficit in the statement of profit and loss</b>		
At the commencement of the year	(1,123,131,446)	(846,367,615)
Add: loss for the year	(109,747,819)	(276,763,831)
<b>Total reserves and surplus</b>	<b>(1,232,879,265)</b>	<b>(1,123,131,446)</b>

5(A) Long-term borrowings

Particulars	As at	As at
	31 March 2016	31 March 2015
<i>Secured</i>		
<b>Term loans from banks:</b>		
- Bank of India #	246,500,000	286,500,000
- Axis Bank *	-	125,000,000
<i>Unsecured</i>		
Inter-corporate deposits @ (refer note 42)	127,000,000	-
	<b>373,500,000</b>	<b>411,500,000</b>

Details of repayment terms, interest and maturity (includes current maturity of long term debt)	Nature of security
<b># From Bank of India:</b>	
Term loan aggregating Rs. 224,700,061 (previous year Rs. 244,900,000) is repayable in 16 quarterly installments. The rate of interest ranges from 16.45% - 16.95% p.a. Loan repayable within one year aggregating Rs 31,800,061 (previous year Rs. 20,000,000) is disclosed as current maturities under other current liabilities.	Secured, ranking pari passu, by way of first charge on present and future fixed assets, including leasehold land, and second charge on current assets. Corporate guarantee by Dynamatic Technologies Limited, JKM Erla Automotive Limited and personal guarantee of Mr. Udayant Malhotra.
Working capital term loan aggregating Rs. 61,573,896 (previous year : Rs. 69,600,000) is repayable in 16 quarterly installments. The rate of interest is 16.45% - 16.95%. Loan repayable within one year aggregating Rs 7,973,896 (previous year: Rs. 8,000,000) is disclosed as current maturities under other current liabilities.	Secured, ranking pari passu, by way of first charge on current assets and second charge on leasehold land. Corporate guarantee by Dynamatic Technologies Limited, JKM Erla Automotive Limited and personal guarantee of Mr. Udayant Malhotra.
<b>* From Axis Bank:</b>	
Term loan aggregating Rs. Nil (previous year Rs.74,998,126) was repaid during the year	Secured, ranking pari passu, by way of first charge on present and future fixed assets including leasehold land along with Bank of India and second charge on current assets. Corporate Guarantee by Dynamatic Technologies Limited.
Term loan aggregating Rs. Nil (previous year Rs.130,000,000) was repaid during the year	

@ Inter-corporate deposits

(i) Deposit from Wavell Investments Private Limited of Rs.112,000,000 (previous year Rs. Nil) at 18% interest per annum. The deposit shall be under a moratorium period for 1 year from the date of disbursement i.e. 31 March 2016 and repayable in 8 equated quarterly installment thereafter.

(ii) Deposit from Conbar India Private Limited of Rs. 15,000,000 (previous year Rs. Nil) at 18% interest per annum. The deposit shall be under a moratorium period for 1 year from the date of disbursement i.e. 31 March 2016 and repayable in 8 equated quarterly installment thereafter.

5(B) Other Non-current liabilities

Particulars	As at	As at
	31 March 2016	31 March 2015
Advance received from associate company* (refer note 42)	233,206,334	-
	<b>233,206,334</b>	<b>-</b>

\* During the year, the Company has received the long term trade advances from Eisenwerk Erla GmbH, Germany which carries an interest of 3-month-Libor. The advance shall be settled quarterly (Euro 125,000) against sales until March 2019. Remaining balance to be adjusted within one year i.e. by March 2020. Accordingly, the Company has disclosed Rs. 233,206,334 (EUR 3,375,000) (previous year Rs. Nil) which has to be adjusted after twelve months as other non-current liabilities and Rs 34,549,086 (EUR 500,000) (previous year Rs. Nil) as other current liabilities as disclosed in note 8.



JKM Ferrotech Limited  
Notes to the financial statements

(Amount in Rupees)

6. Short-term borrowings

Particulars	As at 31 March 2016	As at 31 March 2015
<i>Secured</i>		
Loans repayable on demand	-	6,002,394
Cash credit from bank*		
<i>Unsecured</i>		
<b>From banks</b>		
Vendor bill discounting#	26,373,089	28,369,468
<b>From others</b>		
Loan from Dynamatic Technologies Limited @ (refer note 42)	-	126,966,137
	<b>26,373,089</b>	<b>161,337,999</b>

\*Cash credit from bank carry interest ranging between 14.95%-15.15% p.a. computed on a monthly basis on the actual amount utilized, and were repaid during the year.

#The Company has availed vendor bill discounting facility from banks which carry interest between 16.45% - 16.95% per annum, and is payable within 90 days from date of discounting of bills.

@ Loan from holding company carries an interest of 13% - 15% per annum and was repaid during year.

7. Trade payables

Particulars	As at 31 March 2016	As at 31 March 2015
Dues to micro and small enterprises (refer note 32)	-	-
Dues to creditors other than micro and small enterprises*	265,788,024	341,497,364
Acceptances	12,902,194	13,246,331
	<b>278,690,218</b>	<b>354,743,695</b>
* includes due to related party (refer note 42)	52,385,156	69,709,951

8. Other current liabilities

Particulars	As at 31 March 2016	As at 31 March 2015
Current maturities of long-term borrowings	39,773,957	107,998,126
Current maturities of advance received from associate company (refer note 42)	34,549,086	-
Interest due to related company (refer note 42)	23,533,044	49,435,691
Advance received from others	350,000	-
Interest accrued and due on borrowings	-	2,619,108
Capital creditors	4,374,010	8,295,101
Retention money	14,579,979	18,579,979
Accrued expenses	4,647,143	3,674,565
Employee related liabilities #	8,182,273	8,273,570
Statutory liabilities	1,106,770	7,343,717
	<b>131,096,262</b>	<b>206,219,857</b>
# includes due to related party (refer note 42)	388,705	159,740

9. Short-term provisions

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Provision for employee benefits:</b>		
Gratuity (refer note 40)	1,317,799	819,598
Compensated absences	2,627,860	2,650,020
	<b>3,945,659</b>	<b>3,469,618</b>



**JKM Ferrotech Limited**  
Notes to the financial statements

**10. Fixed assets**

Following are the changes in the carrying value of fixed assets for the year ended 31 March 2016:

Particulars	Gross Block					Accumulated Depreciation				Net Block	
	As at 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 April 2015	Charge for the year	Deletions	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015	
<b>Tangible assets, owned</b>											
Buildings	477,105,164	-	-	477,105,164	87,476,160	16,558,922	-	104,035,082	373,070,082	389,629,004	
Plant and machinery	957,634,026	10,172,605	1,538,910	966,267,721	347,241,489	68,313,330	137,326	415,417,493	550,850,228	610,392,537	
Office equipment	6,821,321	523,557	-	7,344,878	5,258,982	562,027	-	5,821,009	1,523,869	1,562,339	
Data processing equipment	6,728,810	160,304	-	6,889,114	4,180,137	1,392,948	-	5,573,085	1,316,029	2,548,673	
Tools, dies and moulds	23,570,520	895,000	660,000	23,805,520	7,081,947	2,632,422	121,782	9,592,587	14,212,933	16,488,573	
Vehicles	1,796,618	-	479,625	1,316,993	297,307	144,543	178,154	263,696	1,053,297	1,499,311	
<b>Tangible assets, leasehold</b>											
Land*	41,861,040	-	-	41,861,040	1,919,083	481,599	-	2,400,682	39,460,358	39,941,957	
<b>Total tangible assets (A)</b>	<b>1,515,517,499</b>	<b>11,751,466</b>	<b>2,678,535</b>	<b>1,524,590,430</b>	<b>453,455,105</b>	<b>90,085,791</b>	<b>437,262</b>	<b>543,103,634</b>	<b>981,486,796</b>	<b>1,062,062,394</b>	
<b>Intangible assets, owned</b>											
Application software	10,522,433	63,548	-	10,585,981	8,225,637	812,398	-	9,038,035	1,547,946	2,296,796	
<b>Total intangible assets (B)</b>	<b>10,522,433</b>	<b>63,548</b>	<b>-</b>	<b>10,585,981</b>	<b>8,225,637</b>	<b>812,398</b>	<b>-</b>	<b>9,038,035</b>	<b>1,547,946</b>	<b>2,296,796</b>	
<b>Total (A+B)</b>	<b>1,526,039,932</b>	<b>11,815,014</b>	<b>2,678,535</b>	<b>1,535,176,411</b>	<b>461,680,742</b>	<b>90,898,189</b>	<b>437,262</b>	<b>552,141,669</b>	<b>983,034,742</b>	<b>1,064,359,190</b>	
Previous year	1,542,642,375	31,118,703	47,721,146	1,526,039,932	376,984,105	91,087,680	6,391,043	461,680,742	1,064,359,190		

\* Aggregating to Rs 418.61 lacs allotted by State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT).



JKM Ferrotech Limited  
Notes to the financial statements

(Amount in Rupees)

11. Non-current investments

Particulars	As at	As at
	31 March 2016	31 March 2015
<i>(at cost, unless otherwise specified)</i>		
<b>Investment in equity shares</b>		
<b>Unquoted, trade investment</b>		
9,000 (31 March 2015: Nil) fully paid up equity shares of par value of Rs.100 each of Sree Rengaraj Ispat Industries Private Limited* (refer note 39)	900,000	-
	<b>900,000</b>	<b>-</b>
*Aggregate amount of unquoted investment	900,000	-

12. Deferred tax asset, net\*

Particulars	As at	As at
	31 March 2016	31 March 2015
<b>Deferred tax assets</b>		
Unabsorbed depreciation/loss	102,679,508	102,904,172
Provision for doubtful debts	5,998,956	5,526,070
Provision for gratuity and compensated absences	1,219,209	1,072,112
Bonus and incentives	308,834	405,920
<b>Total deferred tax assets</b>	<b>110,206,507</b>	<b>109,908,274</b>
<b>Deferred tax liability</b>		
Fixed assets	110,206,507	109,908,274
<b>Total deferred tax liability</b>	<b>110,206,507</b>	<b>109,908,274</b>
<b>Deferred tax asset, net</b>	<b>-</b>	<b>-</b>

\*In absence of the virtual certainty, the Company has recognised the deferred tax asset on unabsorbed loss and depreciation to the extent of deferred tax liability.

13. Long term loans and advances

Particulars	As at	As at
	31 March 2016	31 March 2015
<b>To parties other than related parties</b>		
<i>Unsecured, considered good</i>		
Capital advances	944,236	1,807,589
<b>Security deposits</b>		
Electricity deposits	44,924,608	37,223,497
Other deposits	302,000	302,000
Advance income tax (including tax deducted at source)	1,801,412	1,215,831
	<b>47,972,256</b>	<b>40,548,917</b>

14. Other non-current assets

Particulars	As at	As at
	31 March 2016	31 March 2015
<b>Other bank balances</b>		
Margin money deposit with more than 12 months maturity from the reporting date	1,346,279	1,242,442
	<b>1,346,279</b>	<b>1,242,442</b>

15. Inventories

*(Valued at lower of cost and net realizable value)*

Particulars	As at	As at
	31 March 2016	31 March 2015
Raw materials	7,115,727	11,358,118
Work-in-progress	116,422,013	106,782,682
Finished goods	1,025,000	1,652,405
Stores and spares	20,758,449	18,914,967
	<b>145,321,189</b>	<b>138,708,172</b>



JKM Ferrotech Limited  
Notes to the financial statements

(Amount in Rupees)

16. Trade receivables

Particulars	As at 31 March 2016	As at 31 March 2015
<i>Unsecured</i>		
<b>Outstanding for a period exceeding six months</b>		
- considered good	688,034	3,234,763
- considered doubtful	19,414,098	17,883,722
Less: Provision for doubtful receivables	(19,414,098)	(17,883,722)
	<b>688,034</b>	<b>3,234,763</b>
<b>Other debts</b>		
- Considered good*	40,273,158	24,649,821
	<b>40,961,192</b>	<b>27,884,584</b>
	52,341	1,687,895

\*includes amount receivable from related party (refer note 42)

17. Cash and bank balances

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Cash and cash equivalents:</b>		
Cash on hand	46,401	106,016
Balances with banks		
- In current accounts	8,600,775	1,072,529
	<b>8,647,176</b>	<b>1,178,545</b>
<b>Other bank balances</b>		
- In margin money deposit accounts	4,072,496	3,808,510
	<b>12,719,672</b>	<b>4,987,055</b>

Details of Bank deposits:

Particulars	As at 31 March 2016	As at 31 March 2015
(i) Bank deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	-	-
(ii) Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	4,072,496	3,808,510
(iii) Bank deposits due to mature after 12 months of the reporting date included under 'Other non - current assets' (refer note 14)	1,346,279	1,242,442
	<b>5,418,775</b>	<b>5,050,952</b>

18. Short term loan and advances

Particulars	As at 31 March 2016	As at 31 March 2015
<i>Unsecured, considered good</i>		
Advance to suppliers	7,892,934	7,505,194
Cenvat receivable	18,932,833	36,605,586
Value added tax receivable	888,155	1,425,179
Advance to employees	404,865	783,643
	<b>28,118,787</b>	<b>46,319,602</b>

19. Other current assets

Particulars	As at 31 March 2016	As at 31 March 2015
Export incentive receivable	16,355,939	49,285,436
Prepaid expenses	1,686,949	2,330,738
	<b>18,042,888</b>	<b>51,616,174</b>



20. Other operating revenues

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Export incentives	26,692,440	33,943,526
Scrap sales	2,218,753	3,943,820
Service income	-	120,864
	<b>28,911,193</b>	<b>38,008,210</b>

21. Other income

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	3,866,706	3,222,332
Profit on sale of fixed assets, net	132,286	48,519
Foreign exchange gain, net	-	15,813,964
	<b>3,998,992</b>	<b>19,084,815</b>

22. Cost of raw material and components consumed\*

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening stock	11,358,118	8,832,423
Add: purchases	637,554,088	731,663,882
Less: closing stock	7,115,727	11,358,118
	<b>641,796,479</b>	<b>729,138,187</b>

\* the consumption disclosed is based on the derived figures

23. Change in inventory of work-in-progress and finished goods

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening stock		
- Finished goods	1,652,405	750,000
- Work in progress	106,782,682	85,729,535
	<b>108,435,087</b>	<b>86,479,535</b>
Closing stock		
- Finished goods	1,025,000	1,652,405
- Work in progress	116,422,013	106,782,682
	<b>117,447,013</b>	<b>108,435,087</b>
	<b>(9,011,926)</b>	<b>(21,955,552)</b>

24. Employee benefits expenses

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	64,025,089	58,317,093
Contribution to provident fund and other funds	4,159,044	3,175,017
Staff welfare expenses	2,044,225	2,146,846
	<b>70,228,358</b>	<b>63,638,956</b>

25. Finance costs

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense	84,084,316	153,253,218
Other borrowing cost	3,954,864	-
	<b>88,039,180</b>	<b>153,253,218</b>



**JKM Ferrotech Limited**  
**Notes to the financial statements**

(Amount in Rupees)

**26. Other expenses**

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Power and fuel	289,301,821	251,458,664
Subcontractor charges	85,254,568	83,172,595
Consumption of stores, loose tools and spare parts	34,598,408	28,954,536
Packing material consumption	24,911,014	19,418,602
Freight outward	19,876,931	26,743,433
Rent (refer note 30)	488,000	48,568
Repairs and maintenance:		
- plant and machinery	4,035,336	4,184,544
- buildings	4,509,489	2,127,747
- others	1,043,424	586,669
Material handling charges	13,047,427	12,709,321
Rates and taxes	7,270,214	11,618,884
Legal and professional	4,879,734	8,775,362
Traveling and conveyance	6,994,644	7,984,853
Insurance	2,608,613	2,369,246
Foreign exchange loss, net	5,929,288	-
Security charges	2,801,189	2,632,826
Printing and stationery	907,915	745,778
Communication expense	1,000,210	1,050,547
Provision for doubtful trade receivables, net	1,530,376	2,671,041
Directors sitting fees	1,550,000	300,000
Bank charges	2,266,004	2,732,139
Miscellaneous expenses	6,729,192	6,446,876
	<b>521,533,797</b>	<b>476,732,231</b>

**27. Exceptional items**

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchange loss, net *	-	54,261,075
	-	<b>54,261,075</b>

\*Pertains to Foreign exchange loss, net incurred by the Company on modification of terms of advances received from Eisenwerk Erla GmbH.





(Amount in Rupees)

**28. Capital commitments**

Particulars	As at	
	31 March 2016	31 March 2015
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	1,411,937	465,500
There are no other material commitments.		

**29. Auditors' remuneration (included in legal and professional fees) \***

Particulars	For the year ended	
	31 March 2016	31 March 2015
Statutory audit	1,000,000	1,000,000
Out of pocket expenses	69,978	76,400
	<b>1,069,978</b>	<b>1,076,400</b>

\* excluding service taxes

**30. Lease transactions**

The Company has taken guest house under cancellable operating lease. Lease rental expense under cancellable operating leases for the year ended 31 March 2016 was Rs. 488,000 (previous year Rs. 48,568).

**31. Segment reporting**

(a) Primary Segment – Business Segment

The Company is primarily engaged in a single segment business of manufacturing of iron castings and accordingly, this is the only reportable segment. The entire operation is governed by the same set of risk and returns. Hence, the same has been considered as representing a single primary segment. The said treatment is in accordance with the guiding principles enunciated in the Accounting Standard (AS) – 17 “Segment Reporting” and hence there are no additional disclosures to be made under AS-17, other than those already provided in the financial statements.

(b) Secondary Segment – Geographical Segment: The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

Revenue (net of excise duty) within India include sales to customers located within India and sales outside India include sales to customers located outside India.

Particulars	Revenue (Net sales)		Trade receivable	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Within India	553,417,920	641,454,042	40,908,851	26,196,689
Outside India	707,408,153	570,844,897	52,341	1,687,895
	<b>1,260,826,073</b>	<b>1,212,298,939</b>	<b>40,961,192</b>	<b>27,884,584</b>

All the fixed assets of the Company are located in India. Accordingly, segment assets have not been separately disclosed.

32. 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.



33. Details of imported raw materials and components consumed

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
	Amount (Rs.)	% of total consumption	Amount (Rs.)	% of total consumption
Imported	11,554,632	1.80%	-	0.00%
Indigenous	630,241,847	98.20%	729,138,187	100.00%
	<b>641,796,479</b>	<b>100.00%</b>	<b>729,138,187</b>	<b>100.00%</b>

34. Details of imported and indigenous stores, loose tools and spare parts consumed

Particulars	For the year ended 31 March 2016		For the year ended 31 March 2015	
	Amount (Rs.)	% of total consumption	Amount (Rs.)	% of total consumption
Imported	2,053,580	5.94%	3,675,802	12.70%
Indigenous	32,544,828	94.06%	25,278,734	87.30%
	<b>34,598,408</b>	<b>100.00%</b>	<b>28,954,536</b>	<b>100.00%</b>

35. Value of imports on C.I.F. basis

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Raw materials	11,554,632	-
Stores and spare parts	2,053,580	3,582,262
Capital goods	4,103,393	1,923,250
	<b>17,711,605</b>	<b>5,505,512</b>

36. Break up of cost of material and components consumed

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
CRCA Scrap	204,892,166	279,666,764
Others*	436,904,313	449,471,422
	<b>641,796,479</b>	<b>729,138,186</b>

\* The individual values of these items are less than 10% of consumption.

37. Break up of change in inventories of finished goods and work in progress

Particulars	31 March 2016				31 March 2015			
	Opening inventory	Turnover (Gross)*	Closing inventory	(Increase)/ decrease in inventory	Opening inventory	Turnover (Gross)*	Closing inventory	(Increase)/ decrease in inventory
<b>Finished goods</b>								
Patterns	1,652,405	9,945,750	1,025,000	(627,405)	750,000	1,909,563	1,652,405	902,405
FlyWheel	-	310,371,397	-	-	-	342,985,729	-	-
Lanchester Housing	-	351,793,476	-	-	-	224,563,147	-	-
Exhaust Manifold	-	266,472,336	-	-	-	190,444,339	-	-
Others#	-	390,720,055	-	-	-	539,244,183	-	-
	<b>1,652,405</b>	<b>1,329,303,014</b>	<b>1,025,000</b>	<b>(627,405)</b>	<b>750,000</b>	<b>1,299,146,961</b>	<b>1,652,405</b>	<b>902,405</b>
<b>Work in progress</b>								
FlyWheel	22,729,665	-	13,720,442	(9,009,223)	26,298,734	-	22,729,665	(3,569,069)
Exhaust Manifold	10,341,284	-	12,503,529	2,162,245	8,756,645	-	10,341,284	1,584,639
Lanchester Housing	8,699,742	-	15,355,910	6,656,168	400,700	-	8,699,742	8,299,042
Others#	65,011,991	-	74,842,132	9,830,141	50,273,456	-	65,011,991	14,738,535
	<b>106,782,682</b>	<b>-</b>	<b>116,422,013</b>	<b>9,639,331</b>	<b>85,729,535</b>	<b>-</b>	<b>106,782,682</b>	<b>21,053,147</b>
<b>Total</b>	<b>108,435,087</b>	<b>1,329,303,014</b>	<b>117,447,013</b>	<b>9,011,926</b>	<b>86,479,535</b>	<b>1,299,146,961</b>	<b>108,435,087</b>	<b>21,955,552</b>

\* Represents sale of product (gross)

# Individual values of these are less than 10% of total inventory and turnover

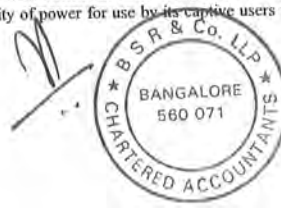
38. Particulars of un-hedged foreign currency exposure as at the balance sheet date

Particulars	As at 31 March 2016		As at 31 March 2015	
	Foreign Currency	Amount in Rs.	Foreign Currency	Amount in Rs.
Trade payables EUR	-	-	22,330	1,507,588
Trade receivables EUR	697	52,341	25,002	1,687,895

39. Details of Non-current investments purchased and sold during the year

Particulars	Face value per unit	As at 31 March 2015	Purchased during the year	Sold during the year	As at 31 March 2016
Others					
Sree Rengaraj Ispat Industries Pvt Ltd - Equity shares	100	-	900,000	-	900,000

During the current year, the Company has executed a Power sharing agreement (PSA) dated 4 February 2016 with Sree Rengaraj Ispat Industries Private Limited (SRIIPL). Pursuant to the terms of the PSA, the Company has entered into a Share Purchase agreement (SPA) dated 4 February 2016 with SRIIPL and Sree Rengaraj Steel and Alloys Private Limited and invested a sum of Rs. 900,000 to acquire 0.149% equity stake in the SRIIPL. SRIIPL proposes to generate 38MW capacity of power for use by its captive users in accordance with the provisions of the Electricity ACT 2003 and Rules framed thereunder.



40. Employee benefits

a) Defined contribution plans

The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to Rs. 2,586,100 (previous year : Rs. 2,431,616).

b) Defined benefit plans

Gratuity

The following table sets out the status of the funded gratuity plan as required under revised AS 15 'Employee benefits'.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets

Particulars	As at 31 March 2016	As at 31 March 2015
<b>Change in defined benefit obligations</b>		
Present value of benefit obligation as at beginning of year	2,887,224	1,678,036
Current service cost	658,346	478,383
Interest on defined benefit obligations	228,668	136,257
Benefits paid	-	(46,154)
Actuarial (gain) / losses on obligations	(213,394)	640,702
<b>Present value of benefit obligation as at end of year</b>	<b>3,560,844</b>	<b>2,887,224</b>
<b>Change in plan assets</b>		
Plan assets at beginning of the year, at fair value	2,067,626	100,000
Expected return on plan assets	163,756	8,700
Actuarial gain/ (loss)	11,663	3,667
Contributions	-	1,955,259
Benefits paid	-	-
<b>Plan assets at end of the year, at fair value</b>	<b>2,243,045</b>	<b>2,067,626</b>
<b>Reconciliation of present value of obligation and fair value of plans assets</b>		
Present value of defined benefit obligation at the end of the year	3,560,844	2,887,224
Fair value of the plan assets at the end of the year	2,243,045	2,067,626
<b>Liability recognized in the balance sheet</b>	<b>1,317,799</b>	<b>819,598</b>

Gratuity cost for the year

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Current service cost	658,346	478,383
Interest on defined benefit obligations	228,668	136,257
Expected return on plan assets	(163,756)	(8,700)
Actuarial (gain) / loss	(225,057)	637,035
<b>Net gratuity cost</b>	<b>498,201</b>	<b>1,242,975</b>

Assumptions

Particulars	As at 31 March 2016	As at 31 March 2015
Discount rate	7.99%	7.92%
Salary escalation rate	6.00%	6.00%
Attrition rate	5.00%	5.00%
Retirement age	58 years	58 years

The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

History of defined benefit obligations and experience (gains) and losses

Amounts for the current and previous four periods are as follows:

Experience history	As at				
	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation at the end of the period	3,560,844	2,887,224	1,678,036	1,463,081	1,083,660
Fair value of plan assets	2,243,045	2,067,626	100,000	-	1,605,215
(Surplus) / deficit in the plan	1,317,799	819,598	1,578,036	1,463,081	(521,555)
Experience (gain) / loss adjustments on plan liabilities	(213,394)	640,702	(124,127)	(39,716)	(367,156)
Experience gain/(loss) adjustments on plan assets	11,663	3,667	-	-	117,092

41. Earnings and expenditure in foreign currency

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>(a) Earnings in foreign currency</b>		
FOB value of exports	707,408,153	570,844,897
Sale of fixed assets	1,476,202	-
<b>(b) Expenditure in foreign currency</b>		
Foreign travel	2,336,349	572,296



42. Related party transactions

- a) Holding company                      Dynamatic Technologies Limited  
b) Company under the same management   JKM Erla Automotive Limited  
  Eisenwerk Erla GmbH, Germany  
c) Entities under common control        Wavell Investments Private Limited  
  Conbar India Private Limited  
d) Key Management personnel            Suresh Kumar R - Manager

e) The following is the summary of significant transactions and balances with Dynamatic Technologies Limited:

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Sales (net of excise duty)	232,329,926	323,385,837	-	-
Service income	-	120,864	-	-
Purchases of raw materials	44,065,567	231,813,930	-	-
Sale of fixed assets	-	48,817,671	-	-
Interest expense	9,323,694	55,545,720	-	-
Borrowings during the year	140,661,079	526,966,137	-	-
Borrowings repaid during the year, net	267,627,216	400,000,000	(23,476,676)	(49,435,691)
Interest accrued and payable	-	-	(52,385,156)	(69,709,951)
Trade payables	-	-	-	(126,966,137)
Unsecured loan	-	-	-	-

f) The following is the summary of significant transactions and balances with JKM Erla Automotive Limited:

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Loan taken/ (repaid)	-	(93,039,980)	-	-
Loan payable	-	-	-	-

g) The following is the summary of significant transactions and balances with Eisenwerk Erla GmbH, Germany:

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Sales	707,408,153	570,844,897	-	-
Sale of fixed assets	1,476,202	-	-	-
Interest expense	4,261,278	-	-	-
Advances received against supply	1,093,542,084	569,288,463	-	-
Advances repaid (net of forex)	119,528,033	297,481,822	-	-
Trade receivable	-	-	52,341	1,687,895
Advance payable	-	-	(267,755,420)	-

h) The following is the summary of significant transactions and balances with Wavell Investments Private Limited :

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Inter-corporate deposit taken	112,000,000	-	-	-
Inter-corporate deposit payable	-	-	(112,000,000)	-
Interest accrued and payable	55,233*	-	(49,710)	-

\* including tax deducted at source

i) The following is the summary of significant transactions and balances with Conbar India Private Limited :

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Inter-corporate deposit taken	15,000,000	-	-	-
Inter-corporate deposit payable	-	-	(15,000,000)	-
Interest accrued and payable	7,398*	-	(6,658)	-

\* including tax deducted at source

j) The following is the summary of significant transactions and balances with Key managerial personnel:

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
Managerial Remuneration to Suresh Kumar R*	3,067,776	2,338,010	(214,740)	(159,740)

\*Managerial remuneration does not include cost of employee benefits such as gratuity and compensated absences since provision for these are based on an actuarial valuation carried out for the Company as a whole.



**JKM Ferrrotech Limited**  
**Notes to the financial statements**

43. During the year ended 2013, the Company was classified as sick industrial company as per the provision of Section 3(1)(o) of Sick Industrial Companies (Special Provisions) Act, 1985 ('SICA'). Consequently, the Company has complied with the requirement as enunciated in Section 15 of SICA and accordingly filed the necessary documentation to Board for Industrial and Financial Reconstruction ('BIFR'). During the year, the Company has made the private placement and preferential allotment of 10 million equity shares to Dyanmatic Technologies Limited at face value of Rs. 10 each for an aggregate consideration of Rs. 100,000,000 in accordance with the requirement of Section 42 and Section 62(1)(c) read with rules and all other applicable provisions of the Companies Act 2013. In accordance with the requirements, the Company has opened a separate bank account and has utilised the money for the purpose specified. Further, the Company has passed a special resolution dated 22 March 2016 with respect to the preferential allotment. As the networth of the Company has turned positive, the Company, in the current year, has filed an application with Honorable Board for Industrial & Financial Reconstruction (BIFR) for de-registration which is currently under consideration.

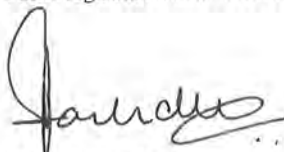
**44. Computation of weighted average number of shares**

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Number of equity shares outstanding at the beginning of the year	136,513,064	91,513,064
Add: Weighted average number of equity shares issued during the year; 10,000,000 number of shares issued on 23 March 2016 (previous year: 45,000,000 number of shares issued on 26 March 2015)	245,902	739,726
Weighted average number of equity shares outstanding during the year	136,758,966	92,252,790

45. The Company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under section 92-92F of the Income tax Act. Since the law requires the existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international as well as specified domestic transactions entered into with the associated enterprise during the financial year and expects such records to be in existence latest by the end of the stipulated timeline, as required by the law. The Management is of the opinion that its international as well as specified domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of the tax expenses and that of the provision for tax.

46. Previous year figures have been regrouped / reclassified, where necessary, to conform with current year's classification, where applicable.

for **BSR & Co. LLP**  
 Chartered Accountants  
 Firm's registration no.: 101248W / W-100022



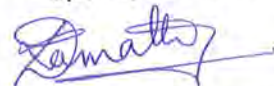
**Supreet Sachdev**  
 Partner  
 Membership No.: 205385

Place: Bangalore  
 Date: 25 May 2016

for and on behalf of Board of Directors of  
**JKM Ferrrotech Limited**



**Suresh Jayapal Naidu**  
 Director  
 DIN No: 06876264



**Lakshmi Dayanand Kamath**  
 Chief Financial Officer

Place: Bangalore  
 Date: 25 May 2016



**Satish Pal Singh**  
 Director  
 DIN No: 07046472



**Aditya Jain**  
 Company Secretary