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**JKM Ferrotech Limited**  
**Statutory Audit for the year ended**  
**31 March 2018**

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**B S R & Co. LLP - Bengaluru**



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# B S R & Co. LLP

Chartered Accountants

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

Telephone +91 80 7134 7000  
Fax +91 80 7134 7999

## Independent Auditor's Report

To the Members of JKM Ferrotech Limited

### Report on the Audit of the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of JKM Ferrotech Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the state of affairs, profit or loss (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS 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 of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.



## **Independent Auditor's Report (continued)**

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS financial statements.

We are also responsible to conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the Auditor's Report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 2018, its loss and other comprehensive income, changes in equity 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 Section 143(11) of the Act, we give in Annexure A, a statement on the matters specified in paragraphs 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 it appears from our examination of those books;
  - c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;





**Independent Auditor's Report (continued)**

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

- d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act;
- e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2018 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer note 33 to the Ind AS 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 which were required to be transferred to the Investor Education and Protection Fund by the Company;
  - iv. The disclosures in the Ind AS financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited financial statements for the period ended 31 March 2017 have been disclosed (refer Note 49a to the Ind AS financial statements).

*for B S R & Co. LLP*

*Chartered Accountants*

Firm registration number: 101248W/W-100022



**Umang Banka**

*Partner*

Membership number: 223018

Place: Bengaluru

Date: 26 May 2018



**Annexure-A to the Independent Auditor's report**

With reference to the Annexure A 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 Ind AS financial statements for the year ended 31 March 2018, 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 all which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed asset were verified during the previous year. No material discrepancies were noticed on such verification.
- (c) In our opinion and 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 included in property, plant and equipment are held in the name of the Company.
- (ii) The inventory, except goods-in-transit and stock lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on physical verification between physical stock and the book records were not material.
- (iii) According to the information and explanations given to us, 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"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, there are no loans, investments, guarantees, and security given in respect of which provisions of Section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company.
- (v) The Company has not accepted any deposits from the public within the meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.
- (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 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.

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

- (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, Goods and Services tax, cess and any other material statutory dues have been generally regularly deposited with appropriate authorities, though there has been slight delays in few cases.

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, Goods and Services tax, cess and any other material statutory dues were in arrears, as at 31 March 2018, 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 Sales tax, Value added tax and Cess which have not been deposited on account of any dispute. The Company, however, disputes the following:

Name of Statute	Nature of Dues	Amount (INR in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	9	AY 2014-15	Commissioner of Income-tax (Appeals)
Income Tax Act, 1961	Income Tax	222	AY 2013-14	Commissioner of Income-tax (Appeals)
Income Tax Act, 1961	Income Tax	226	AY 2011-12	Commissioner of Income-tax (Appeals)

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any outstanding loans or borrowings from government and there are no dues to debenture holders during the year.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.
- (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 managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company as prescribed under Section 406 of the Act.





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

- (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 details of such transactions have been disclosed in the Ind AS 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 not made 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 any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanation given to us and in our opinion 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



**Umang Banka**

*Partner*

Membership number: 223018

Place: Bengaluru

Date: 26 May 2018





## **Annexure - B to the Independent Auditor's 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 with reference to Ind AS financial statements of JKM Ferrotech Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the Ind AS 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 with reference to Ind AS financial statements 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 with reference to Ind AS financial statements 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 with reference to Ind AS financial statements 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 with reference to Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls with reference to Ind AS financial statements included obtaining an understanding of internal financial controls with reference to Ind AS financial statements, 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 Ind AS 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 with reference to Ind AS financial statements.

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**Annexure - B to the Independent Auditor's Report (continued)**

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

A Company's internal financial control with reference to Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS 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 Ind AS financial statements.

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

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

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at 31 March 2018, based on the internal control with reference to Ind AS financial statements 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*

Firm registration number: 101248W/W-100022



**Umang Banka**

*Partner*

Membership number: 223018

Place: Bengaluru

Date: 26 May 2018



Balance Sheet as at	Note	31 March 2018	31 March 2017	1 April 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	9,262	10,135	11,053
Intangible assets	3	15	24	16
Capital work in progress		-	-	6
<b>Financial assets</b>				
(i) Investments	4	60	69	9
(ii) Non current loans	5	139	511	452
(ii) Other non - current financial assets	6	-	15	13
Deferred tax assets (net)	7	-	-	-
Income tax assets (net)	8	23	22	18
Other non - current assets	9	8	28	58
<b>Total non - current assets</b>		<b>9,507</b>	<b>10,804</b>	<b>11,625</b>
<b>Current assets</b>				
Inventories	10	1,310	1,022	854
<b>Financial assets</b>				
(i) Trade receivables	11	1,409	816	401
(ii) Cash and cash equivalents	12	78	74	127
(iii) Current loans	13	4	5	4
Other current assets	14	106	264	455
<b>Total current assets</b>		<b>2,907</b>	<b>2,181</b>	<b>1,841</b>
<b>Total Assets</b>		<b>12,414</b>	<b>12,985</b>	<b>13,466</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	15	16,651	16,651	14,651
Other equity	16	(14,571)	(13,204)	(11,803)
<b>Total equity</b>		<b>2,080</b>	<b>3,447</b>	<b>2,848</b>
<b>Non - current liabilities</b>				
<b>Financial liabilities</b>				
(i) Non - current borrowings	17	1,005	2,144	3,735
Non - current provisions	18	35	29	19
Other non - current liabilities	19	1,933	2,284	2,332
<b>Total non - current liabilities</b>		<b>2,973</b>	<b>4,457</b>	<b>6,086</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
(i) Borrowings	20	297	299	264
(ii) Trade payables	21	2,586	2,315	2,936
(iii) Other current financial liabilities	22	1,096	984	951
Current provisions	23	27	25	20
Other current liabilities	24	3,355	1,458	361
<b>Total current liabilities</b>		<b>7,361</b>	<b>5,081</b>	<b>4,532</b>
<b>Total liabilities</b>		<b>10,334</b>	<b>9,538</b>	<b>10,618</b>
<b>Total Equity and Liabilities</b>		<b>12,414</b>	<b>12,985</b>	<b>13,466</b>

Significant accounting policies

2

The notes referred above form an integral part of Ind AS financial statements

As per our report of even date attached

for BSR &amp; Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

Umang Banka

Partner

Membership no: 223018

Place: Bengaluru

Date: 26 May 2018

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

Suresh Jayapal Naidu

Director

DIN.: 06876264

Lakshmi Dayanand Kamath

Chief Financial Officer

Place: Bengaluru

Date: 26 May 2018

Satish Pal Singh

Director

DIN.: 07046472

Chandrashekar S

Company Secretary



**JKM Ferrotech Limited**

		Amount in INR lakhs except per share data	
Statement of Profit and Loss for the year ended	Note	31 March 2018	31 March 2017
<b>Income</b>			
Revenue from operations	25	10,484	10,096
Other income	26	18	56
<b>Total income</b>		<b>10,502</b>	<b>10,152</b>
<b>Expenses</b>			
Cost of materials and components consumed	27	5,821	4,803
Changes in inventory of finished goods and work in progress	28	(203)	(222)
Excise duty		230	668
Employee benefits expense	29	717	708
Finance costs	30	532	804
Depreciation and amortisation expense	31	941	991
Other expenses	32	3,834	3,791
<b>Total expenses</b>		<b>11,872</b>	<b>11,543</b>
<b>Loss before tax</b>		<b>(1,370)</b>	<b>(1,391)</b>
Current tax		-	-
Deferred tax		-	-
<b>Income tax expense</b>		<b>-</b>	<b>-</b>
<b>Loss for the year</b>		<b>(1,370)</b>	<b>(1,391)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
- Remeasurements of defined benefit plans		3	(10)
- Income tax relating to items that will not be reclassified to profit or loss		-	-
<b>Other comprehensive income for the year</b>		<b>3</b>	<b>(10)</b>
<b>Total comprehensive income for the year</b>		<b>(1,367)</b>	<b>(1,401)</b>
<b>Earnings per equity share (face value INR 10 each)</b>			
Basic and diluted (in INR)	44	(0.82)	(0.94)
Significant accounting policies	2		

The notes referred above form an integral part of Ind AS financial statements

As per our report of even date attached

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

Chartered Accountants

Firm registration number: 101248W/W-100022



**Umang Banka**

Partner

Membership no: 223018

Place: Bengaluru

Date: 26 May 2018

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



**Suresh Jayapal Naidu**  
Director  
DIN.: 06876264



**Lakshmi Dayanand Kamath**  
Chief Financial Officer

Place: Bengaluru

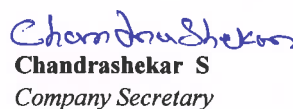
Date: 26 May 2018



**Satish Pal Singh**

Director

DIN.: 07046472



**Chandrashekar S**  
Company Secretary





**JKM Ferrotech Limited**  
**Statement of Changes in Equity for the year ended 31 March 2018**

<b>(A) Equity share capital</b>		<b>Amount in INR lakhs</b>	
<b>Particulars</b>	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>1 April 2016</b>
Opening balance	16,651	14,651	14,651
Changes in equity share capital	-	2,000	-
Closing balance	16,651	16,651	14,651

<b>(B) Other equity</b>		<b>Amount in INR lakhs</b>	
<b>Particulars</b>	<b>Retained earnings</b>	<b>Remeasurement of defined benefit liability / asset</b>	<b>Total equity attributable to equity shareholders of the</b>
Balance at 1 April 2016	(11,803)	-	(11,803)
Loss for the year	(1,391)	-	(1,391)
Other comprehensive income for the year	-	(10)	(10)
Transfer to retained earnings	(10)	10	-
Total comprehensive income for the year	(1,401)	-	(1,401)
Balance at 31 March 2017	(13,204)	-	(13,204)
Loss for the year	(1,370)	-	(1,370)
Other comprehensive income for the year	-	3	3
Transfer to retained earnings	3	(3)	-
Total comprehensive income for the year	(1,367)	-	(1,367)
Balance at 31 March 2018	(14,571)	-	(14,571)

Significant accounting policies

2

The notes referred above form an integral part of Ind AS financial statements

As per our report of even date attached

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

  
**Umang Banka**  
Partner

Membership no: 223018


Place: Bengaluru  
Date: 26 May 2018


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

  
**Suresh Jayapal Naidu**  
Director  
DIN.: 06876264

  
**Lakshmi Dayanand Kamath**  
Chief Financial Officer

Place: Bengaluru  
Date: 26 May 2018

  
**Satish Pal Singh**  
Director  
DIN.: 07046472

  
**Chandrashekar S**  
Company Secretary



Statement of Cash Flows for the year ended	31 March 2018	31 March 2017
<b>Cash flows from operating activities</b>		
Loss before tax	(1,370)	(1,391)
<b>Adjustments for:</b>		
Interest income	(13)	(42)
Provision no longer required written back	-	(14)
Gain on sale of property, plant and equipment	(4)	-
Finance costs	498	776
Finance guarantee amortisation	34	28
Depreciation and amortisation expense	941	991
Loss allowance on financial assets, net	6	-
<b>Operating cash flow before working capital changes</b>	<b>92</b>	<b>348</b>
<b>Changes in operating assets and liabilities</b>		
(Increase) in inventories	(288)	(168)
(Increase) in trade receivables	(601)	(401)
(Increase) / decrease in loans	373	(60)
Decrease in other assets	144	191
Increase/ (decrease) in trade payables	271	(621)
Decrease in other financial liabilities	(112)	(6)
Increase in provisions	11	5
Decrease in other non current liabilities	(351)	(48)
Increase in other current liabilities	1,897	1,097
<b>Cash generated from operations</b>	<b>1,436</b>	<b>337</b>
Income taxes paid, net	(1)	(4)
<b>Net cash generated from operating activities (A)</b>	<b>1,435</b>	<b>333</b>
<b>Cash flows from investing activities</b>		
Expenditure on property, plant and equipment and intangibles	(88)	(42)
Proceeds from sale of property, plant and equipment	5	1
Investment in equity shares	-	(60)
Proceed from sale of investment in equity shares	9	-
Bank deposits (having original maturity of more than three months), net	15	(1)
Loan given to holding company	-	(53)
Loan repaid by holding company	-	53
Interest received from bank deposits	13	42
<b>Net cash (used in) investing activities (B)</b>	<b>(46)</b>	<b>(60)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	2,000
Inter corporate deposits taken	480	170
Inter corporate deposits repaid	(719)	(1,201)
Loan received from ultimate holding company	1,331	1,917
Loan repaid to ultimate holding company	(1,331)	(1,917)
Repayment of long term borrowings	(399)	(408)
Proceeds / (repayments) from short term borrowings	(160)	35
Interest paid	(587)	(922)
<b>Net cash (used in) by financing activities (C)</b>	<b>(1,385)</b>	<b>(326)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>4</b>	<b>(53)</b>
Cash and cash equivalents at the beginning of the year	74	127
<b>Cash and cash equivalents at the end of the year (refer note 12)</b>	<b>78</b>	<b>74</b>
<b>Components of cash and cash equivalents (refer note 12)</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	1	1
Balances with banks		
- in current accounts	15	30
- in fixed deposits	62	43
<b>Cash and cash equivalents in balance sheet</b>	<b>78</b>	<b>74</b>

The notes referred above form an integral part of Ind AS financial statements

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

**Umang Banka**

Partner

Membership no: 223018

Place: Bengaluru

Date: 26 May 2018

for and on behalf of the Board of Directors of

**JKM Ferrotech Limited**

**Suresh Jayapal Naidu**

Director

DIN: 06876264

**Lakshmi Dayanand Kamath**

Chief Financial Officer

Place: Bengaluru

**Satish Pal Singh**

Director

DIN: 07046472

**Chandrashekar S**

Company Secretary



## **JKM Ferrotech Limited**

### **Notes to the Ind AS financial statements for the year ended 31 March 2018**

#### **1 (i) Reporting entity**

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

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

Subsequent to the acquisition, the Company has issued further equity shares to Dynamatic Technologies Limited and as a result Dynamatic Technologies Limited became the holding company during the year ended 31st March 2016.

During the year ended 31st March 2017, the Company has issued 20,000,000 equity shares of Rs 10 each to JKM Erla Automotive Limited. Additionally 20,513,064 equity shares of Rs 10 each have been transferred from JKM Global PTE Limited to JKM Erla Automotive Limited. By virtue of these transactions, JKM Erla Automotive Limited along with the shareholding of its 100% subsidiary Eisenwerk Erla GmbH has become the holding company and Dynamatic Technologies Limited became the ultimate holding company.

#### **1 (ii) Basis of preparation**

##### **A Statement of compliance**

These Ind AS financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules 2015 notified under Section 133 of the Companies Act 2013 ('the Act') and other relevant provisions of the Act.

The Company's financial statements up to and for the year ended 31 March 2017 were prepared in accordance with the Companies (Accounts) Rules 2014, notified under Section 133 of the Act and other provisions of the Act ('Indian GAAP' or 'Previous GAAP').

As these are the Company's first Ind AS financial statements prepared in accordance with Indian Accounting Standards (Ind AS), the Company has adopted all the relevant Ind AS standards and the first time adoption was carried out in accordance with Ind AS 101, First time adoption of Indian Accounting Standards. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the Previous GAAP and an explanation of how the transition to Ind AS has affected the previously reported financial position and financial performance of the Company is provided in note 51.

The Ind AS financial statements are authorised for issue by the Company's Board of Directors on 26 May 2018.

##### **B Functional and presentation currency**

These Ind AS financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency.

##### **C Basis of Measurement**

The Ind AS financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following:

(i) Defined benefit and other long-term employee benefits where plan asset is measured at fair value less present value of defined benefit obligations.

(ii) Certain financial assets and liabilities that are qualified to be measured at fair value;

##### **D Use of estimate and judgements**

The preparation of Ind AS financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. They are based on historical experience and other factors that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised prospectively.

##### **Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- note 36 : leases classification





**Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes:

- note 3: useful life of property, plant and equipment and intangible assets;
- note 50: recognition of deferred tax asset: availability of future taxable profit against which deferred tax can be used;
- note 33 and 34: recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- note 39: measurement of defined benefit obligation: key actuarial assumptions;
- note 4, 5, 6, 11 13 and 40: impairment of financial assets

**E Measurement of fair values**

Certain accounting policies and disclosures of the Company require the measurement of fair values, for both financial and non financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- note 42: financial instruments.

**2 Significant accounting policies**

**a Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation (which includes capitalised borrowing costs, if any) and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable costs of bringing an asset to working condition for its intended use and estimated cost of dismantling and removing the item and restoring the site on which it is located. Costs directly attributable to acquisition are capitalised until the property, plant and equipment are ready for use, as intended by Management.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials, direct labour and any other costs directly attributable to bringing the item to its intended working condition and estimated costs of dismantling, removing and restoring the site on which it is located, wherever applicable.

Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognised in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing cost directly attributable to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are capitalised to the extent they relate to the period till such assets are ready to be put to use.

**Transition to Ind AS**

On transition to Ind AS, the Company has elected to fair value certain items of property, plant and equipment and uses that fair value as its deemed cost at the date of transition, viz., 1 April 2016 (refer note 51). The remaining item of property, plant and equipment are valued in accordance with Ind AS 16 - Property, plant and equipment.







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

Depreciation is provided on a Straight Line Method ('SLM') over estimated useful life of the property, plant and equipment less their estimated residual value by the Management. Depreciation for assets purchased / sold during the year is proportionately charged. The Company estimated the useful lives for fixed assets which is as follows:

The range of estimated useful lives of items of property, plant and equipment are as follows:

Category of assets	Useful life estimated by management
Buildings	30 years
Plant and machinery*	10 years, 13 years and 21 years for 3 shifts, 2 shifts and 1 shift respectively
Furniture and fixtures	5 years
Office equipment	5 years
Electrical installation*	10 years, 13 years and 21 years for 3 shifts, 2 shifts and 1 shift respectively
Data processing equipment	4 years
Tools, dies and moulds	9 years
Vehicles*	10 years
Leasehold land	Over the period of lease

\* The Management believes that the useful lives as given above best represent the period over which management expects to use these assets based on an internal assessment and technical evaluation where necessary. 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.

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

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

Advance paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date classified as capital advances under other non current assets and the cost of the assets not put to use before such date are disclosed under Capital work in progress.

**b Intangible 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 amortisation and any accumulated impairment loss.

**Internally generated intangible assets**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in statement of profit and loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products or processes. Development expenditure is capitalised only if:

- It is technically feasible to complete the product or process so that it will be available for use
- Management intends to complete the development and use or sell it
- It can be demonstrated how the product or process will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the product or process are available, and
- The expenditure attributable to the product or process during its development can be reliably measured.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and directly attributable borrowing costs (in the same manner as in the case of tangible fixed assets). Other development expenditure is recognised in the statement of profit and loss as incurred

**Subsequent measurement**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including on internally generated software is recognised in profit and loss as and when incurred.

**Transition to Ind AS**

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as of 1 April 2016 measured as per the previous GAAP, and use that carrying value as its deemed cost as of such intangible assets (refer note 51).





**JKM Ferrotech Limited****Notes to the Ind AS financial statements for the year ended 31 March 2018****Amortisation**

The Company amortises intangible assets with a finite useful life using the straight-line method. The estimated useful lives of intangibles are as follows:

Category of asset	Useful life
Application Software	4 years

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**c Impairment****(i) Financial assets**

The Company recognises loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in profit or loss.

**(ii) Non-financial assets****Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**d Leases**

Leases of property, plant and equipment that transfer to the company substantially all the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition the assets are accounted for in accordance with the accounting policy applicable to similar owned assets.

Leases in which a significant portion of risk and rewards of ownership are not transferred to the company as lessee are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line over period of lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

**e Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost is used. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. The comparison of cost and net realisable value is made on an item-by-item basis.

Inventories are stated net of write down or allowances on account of obsolescence, damage or slow moving items.

The method of determination of cost is as follows:

- Raw materials and components – on a weighted average basis
- Stores and spares – on a weighted average basis
- Work-in-progress – includes costs of conversion
- Finished goods – includes costs of conversion
- Goods in transit – at purchase cost

The net realisable value of work-in-progress is determined with reference to the net realisable 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 realisable value. Fixed production overheads are allocated on the basis of normal capacity of production facilities. The provision for inventory obsolescence is assessed periodically and is provided as considered necessary.





**f Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and is inclusive of excise duty and net of taxes and duties collected on behalf of the government.

Revenue from the sale of goods and sale of scrap in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods and the amount of revenue can be measured reliably. The timing of transfers of risks and rewards varies depending on the individual terms of sale.

Export benefits are recognised in the statement of profit and loss account when the right to receive credit as per the terms of the entitlement is established in respect of exports made.

**g Other income**

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the statement of profit and loss.

Dividend income is recognised in profit or loss when the right to receive payment is established, which is generally when the shareholders approve the dividend.

**h Financial Instruments****A. Financial assets****1) Recognition and initial measurement**

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Company becomes a party to contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction cost that are directly attributable to its acquisition or issue.

**2) Classification and subsequent measurement****Financial assets**

On initial recognition, a financial instrument is classified and measured at

- amortised cost
- fair value through other comprehensive income (FVOCI) - debt instruments;
- fair value through other comprehensive income (FVOCI) - equity investments; or
- fair value through profit and loss (FVTPL)

Financial assets are not classified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets; and
- the contractual terms of the financial assets give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI- equity investment). This election is made on an investment-to-investment basis.

All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mistake that would otherwise arise.

**Financial assets: Subsequent measurement and gains and losses****Financial assets, at FVTPL:**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.







**Financial assets at amortised cost:**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Debt investments at FVTOCI:**

These assets are subsequently measured at fair value. Interest income under effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVTOCI:**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

**3) Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss. The Company follows 'simplified approach' for recognition of impairment loss on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from initial recognition.

For recognition of impairment loss on financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12 month ECL.

**4) Derecognition of financial assets**

A financial asset is derecognised only when:

- the Company has transferred the rights to receive cash flows from financial asset or
- retains the contractual rights to receive the cash flows from financial asset but assumed a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

**B. Financial liability**

**1) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost.

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

**2) Subsequent measurement**

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

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







**Amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

**Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified party fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

**Derecognition**

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

**Offsetting**

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

**i Employee benefits****Defined benefit plans**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuations carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains or losses are recognised in other comprehensive income. Further, the profit or loss does not include an expected return on plan assets. Instead net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on plan assets above or below the discount rate is recognised as part of remeasurement of net defined liability or asset through other comprehensive income.

Remeasurements comprising actuarial gains or losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are not reclassified to profit or loss in subsequent periods.

The Company's gratuity scheme is administered through Life Insurance Corporation of India and the provision for the same is determined on the basis of actuarial valuation carried out by an independent actuary. Provision is made for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by actuarial valuation and the available corpus of the funds.

**Short term employee benefits**

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits, which include benefits like salaries, wages, short-term compensated absences and performance incentives and are recognised as expenses in the period in which the employee renders the related service.

Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g. short term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the amount of obligation can be estimated reliably.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**Compensated absences**

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilised accumulating compensated absence and utilise it in future periods. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of an independent actuarial valuation using the Projected Unit method as at the reporting date.





**Defined contribution plan**

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 recognised as an expense in the statement of profit and loss during the period in which the employee renders the related service.

**Termination benefits**

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises cost of restructuring. If the benefits are not expected to be settled wholly within 12 months of reporting date, then they are discounted.

**j Foreign currency transactions and balances**

Foreign currency are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into relevant functional currency at exchange rates in effect at the reporting date.

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

Non-monetary assets and non-monetary liabilities denominated in foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss and are generally recognised in profit and loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- equity investments at fair value through OCI (FVOCI)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

**k Taxes**

Income tax expense comprises current and deferred income tax. Income tax expense is recognised in net profit in the statement of profit and loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current income tax for current and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except for the cases mentioned below:

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss at the time of the transaction;
- temporary investments related to investment in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which such deferred tax can be realised. Deferred tax assets, unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred 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.





**l Provisions (other than employee benefits)**

**(i) General**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(ii) Onerous contract**

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised 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.

**m Contingent Liability**

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

**n Cash and cash equivalents**

Cash and cash equivalent includes cash on hand, demand deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

For the purpose of cash and cash equivalent includes cash in hand, in banks, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts that are repayable on demand and are considered part of the cash management system.

**o Cash flow statement**

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

**p Earnings per share**

The basic earnings per share is computed by dividing the net profit attributable to the owners of the Company for the year by the weighted average number of equity shares outstanding during reporting period.

The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

Dilutive potential equity shares are deemed converted as of the beginning of the reporting date, unless they have been issued at a later date. In computing diluted earnings per share, only potential equity shares that is dilutive and which either reduces earnings per share or increase loss per share are included.

**q Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to revenue, it is recognised in the statement of profit and loss on a systematic basis over the periods to which they relate. When the grant relates to an asset, it is treated as deferred income and recognised in the statement of profit and loss on a systematic basis over the useful life of the asset.

**r Recent accounting pronouncements**

**Standards issued but not yet effective**

On 28 March 2018, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2018, notifying amendments to Ind AS 40, 'Investment Property', Ind AS 21, 'The Effects of Changes in Foreign Exchange Rates', Ind AS 12, 'Income Taxes', Ind AS 28, 'Investments in Associates and Joint Ventures', 'Ind AS 112, 'Disclosure of Interests in Other Entities' and Ind AS 115, 'Revenue from contracts with customers'. These amendments maintain convergence with IFRS by incorporating amendments issued by the International Accounting Standards Board (IASB) into Ind AS. The amendments are applicable to the company from 1 April 2018.







**Amendment to Ind AS 40, Investment Property**

The amendment to Ind AS 40 lays down the principle regarding when a Company should transfer to, or from, investment property. Accordingly, a transfer is made only when:

- i. There is an actual change of use i.e. an asset meets or ceases to meet the definition of investment property.
- ii. There is evidence of the change in use.

The impact of the above stated amendment to the Company is Nil as the same is not applicable to the Company.

**Amendment to Ind AS 21, The Effects of Changes in Foreign Exchange Rates**

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The Company has early adopted the same in current year.

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

The amendment to Ind AS 12 considers that:

- i. Tax law determines which deductions are offset against taxable income in determining taxable income in determining taxable profits.
- ii. No deferred tax asset is recognised if the reversal of the deductible temporary difference will not lead to tax deductions.

The Company is evaluating the effect of this on the financial statements and expects the impact to be not material.

**Amendment to Ind AS 28, Investments in Associates and Joint Ventures**

The amendment to Ind AS 28 clarifies that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Amendment to Ind AS 112, Disclosure of Interests in Other Entities**

The amendment to Ind AS 112 provide that the disclosure requirements for interests in other entities also apply to interests that are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

The impact of the above stated amendment to the Company is NIL as the same is not applicable to the Company.

**Ind AS 115, Revenue from Contracts with Customers:**

Ind AS 115, establishes a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces existing revenue recognition guidance, including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and Guidance Note on Accounting for Real Estate Transactions. Ind AS 115 is effective for annual periods beginning on or after 1 April 2018 and will be applied accordingly.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying the standard recognised at the date of initial application (Cumulative catch - up approach)

The Company has completed an initial qualitative assessment of the potential impact of the adoption of Ind AS 115 on accounting policies followed in its financial statements. The quantitative impact of adoption of Ind AS 115 on the financial statements in the period of initial application is not expected to be material.

The Company will adopt the standard on 1 April 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended 31 March 2018 will not be retrospectively adjusted.







## 3 Property, plant and equipment and Intangible assets

## 3.1 Property, plant and equipment

Amount in INR lakhs

Particulars	Owned							Leased Land*	Total
	Buildings*	Plant and Machinery*	Furniture and Fixtures	Office Equipment	Electrical Installation*	Data Processing Equipment	Tools, Dies and Moulds	Vehicles	
Cost or deemed cost*:									
Balance as at 1 April 2016	4,082	4,609	15	58	776	69	238	13	11,266
Additions	14	12	1	9	-	-	30	-	66
Deletions	-	-	-	-	2	-	-	-	2
Balance as at 31 March 2017	4,096	4,621	16	67	774	69	268	13	11,330
Balance as at 1 April 2017	4,096	4,621	16	67	774	69	268	13	11,330
Additions	1	35	-	6	5	1	12	-	60
Deletions	-	-	-	-	-	-	3	-	3
As at 31 March 2018	4,097	4,656	16	73	779	70	277	13	11,387
Accumulated depreciation*:									
Balance as at 1 April 2016	-	-	7	51	-	56	96	3	213
Depreciation for the year	183	626	2	5	115	6	28	1	983
Depreciation on deletions	-	-	-	-	1	-	-	-	1
Balance as at 31 March 2017	183	626	9	56	114	62	124	4	1,195
Balance as at 1 April 2017	183	626	9	56	114	62	124	4	1,195
Depreciation for the year	183	576	2	4	115	6	28	1	932
Depreciation on deletions	-	-	-	-	-	-	2	-	2
Balance as at 31 March 2018	366	1,202	11	60	229	68	150	5	2,125
Net carrying amount*:									
As at 31 March 2018	3,731	3,454	5	13	550	2	127	8	9,262
As at 31 March 2017	3,913	3,995	7	11	660	7	144	9	10,135
As at 1 April 2016	4,082	4,609	8	7	776	13	142	10	11,053

\*Refer note 51

There has been no impairment losses recognised during the current year or previous year.





**JKM Ferrotech Limited**

Notes to the Ind AS financial statements for the year ended 31 March 2018

**3 Property, plant and equipment and Intangible assets (continued)****3.2 Intangible assets**

Amount in INR lakhs

Particulars	Application Software	Total
<b>Cost or deemed cost*:</b>		
Balance as at 1 April 2016	106	106
Additions	16	16
<b>Balance as at 31 March 2017</b>	<b>122</b>	<b>122</b>
Balance as at 1 April 2017	122	122
<b>Balance as at 31 March 2018</b>	<b>122</b>	<b>122</b>
<b>Accumulated amortisation*:</b>		
Balance as at 1 April 2016	90	90
Amortisation for the year	8	8
<b>Balance as at 31 March 2017</b>	<b>98</b>	<b>98</b>
Balance as at 1 April 2017	98	98
Amortisation for the year	9	9
<b>Balance as at 31 March 2018</b>	<b>107</b>	<b>107</b>
<b>Net carrying amount*:</b>		
As at 31 March 2018	15	15
As at 31 March 2017	24	24
As at 1 April 2016	16	16

\*Refer note 51

There has been no impairment losses recognised during the current year or previous year.





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**

<b>4 Non - current investments</b>		<b>Amount in INR lakhs</b>		
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>	
<b>Unquoted</b>				
<b>Investments carried at fair value through profit and loss</b>				
<b>Investments in equity instruments</b>				
Nil (31 March 2017: 9,000; 1 April 2016: 9,000) equity shares of INR 100 each fully paid up of Rengaraj Ispat Industries Private Limited	-	9		9
600,000 (31 March 2017: 600,000; 1 April 2016: Nil) equity shares of INR 10 each fully paid up of Kamachi Industries Limited	60	60		-
	<b>60</b>	<b>69</b>		<b>9</b>
Aggregate amount of unquoted investments	60	69		9
Aggregate amount of impairment in value of investments	-	-		-

<b>5 Non - current Loans</b>		<b>Amount in INR lakhs</b>		
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>	
<b>Unsecured, considered good</b>				
Security deposits	139	511		452
	<b>139</b>	<b>511</b>		<b>452</b>

<b>6 Other non - current financial assets</b>		<b>Amount in INR lakhs</b>		
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>	
Bank deposits (due to mature after 12 months from the reporting date)	-	15		13
	<b>-</b>	<b>15</b>		<b>13</b>

<b>7 Deferred tax assets (net)*</b>		<b>Amount in INR lakhs</b>		
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>	
<b>Deferred tax assets</b>				
Unabsorbed depreciation / loss	704	977		1,034
Provision for gratuity and compensated absences	16	17		12
Loss allowance on financial assets	101	119		123
Bonus and incentives	2	2		3
<b>Total deferred tax assets (A)</b>	<b>823</b>	<b>1,115</b>		<b>1,172</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment and intangible assets	(823)	(1,115)		(1,172)
<b>Total deferred tax liabilities (B)</b>	<b>(823)</b>	<b>(1,115)</b>		<b>(1,172)</b>
<b>Net deferred tax assets (A + B)</b>	<b>-</b>	<b>-</b>		<b>-</b>

\*Since it is not probable that future taxable profit will be available against which the entity in the group can use the benefits therefrom, the entity in the group has recognised deferred tax asset on unabsorbed loss and depreciation to the extent of deferred tax liability (refer note 50).

<b>8 Income tax assets (net)</b>		<b>Amount in INR lakhs</b>		
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 1 April 2016</b>	
Advance income tax and tax deducted at source	23	22		18
<b>Closing balance</b>	<b>23</b>	<b>22</b>		<b>18</b>





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**9 Other non - current assets**

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Capital advances	-	-	2
Prepaid expenses (refer note 51)	8	28	56
	8	28	58

**10 Inventories (valued at lower of cost and net realisable value)**

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Raw materials and components*	155	108	71
Work-in-progress	945	774	565
Finished goods	55	23	10
Stores and spares	155	117	208
	1,310	1,022	854

\*including goods in transit as on 31 March 2018: INR 4 lakhs (31 March 2017: INR Nil; 1 April 2016: INR Nil)

**11 Trade receivables**

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Trade receivables			
Unsecured, considered good*	1,409	816	401
Doubtful	391	385	399
	1,800	1,201	800
Less: Loss Allowance			
Doubtful	(391)	(385)	(399)
	1,409	816	401

All trade receivables are 'current'.

Of the above, trade receivables from related parties are as below:

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Trade receivables from related parties (refer note 43)	81	79	1
Less: Loss allowance	-	-	-
Net trade receivables	81	79	1

The Company's exposure to credit and currency risks and loss allowances related to trade receivables are disclosed in note 40.

**12 Cash and cash equivalents**

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Cash on hand	1	1	0
Balances with banks			
- in current accounts	15	30	86
- in deposit accounts (with original maturity of more than 3 months)*	62	43	41
	78	74	127

\*The Company has placed these deposits as margin money or under lien for various matters.

**13 Current loans**

Amount in INR lakhs

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Unsecured, Considered good			
Advance to employees	4	5	4
	4	5	4







**JKM Ferrotech Limited****Notes to the Ind AS financial statements for the year ended 31 March 2018****14 Other current assets****Amount in INR lakhs**

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	1 April 2016
Advances to suppliers	40	28	66
Prepaid expenses*	51	44	51
Balances with government authorities	15	192	338
	<b>106</b>	<b>264</b>	<b>455</b>

\*includes amount in relation to corporate guarantee given by Dynamatic Technologies Limited for the loans taken from Bank of India amounting to INR 20 lakhs (31 March 2017: INR 28 lakhs ; 1 April 2016: INR 34 lakhs) (refer note 51)





15 Equity share capital	Amount in INR lakhs		
	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<b>Particulars</b>			
<b>Authorised</b>			
<b>Equity shares</b>			
180,000,000 equity shares (31 March 2017: 180,000,000 equity shares, 1 April 2016: 180,000,000 equity shares) of par value of INR 10 each	18,000	18,000	18,000
	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>
<b>Issued, subscribed and fully paid up</b>			
<b>Equity shares</b>			
166,513,064 equity shares (31 March 2017: 166,513,064 equity shares, 1 April 2016: 146,513,064 equity shares) of par value of INR 10 each	16,651	16,651	14,651
	<b>16,651</b>	<b>16,651</b>	<b>14,651</b>

**Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting year is as given below:**

Particulars	As at 31 March 2018		As at 31 March 2017	
	Number of shares	Amount (in INR lakhs)	Number of shares	Amount (in INR lakhs)
At the commencement of the year	166,513,064	16,651	146,513,064	14,651
Add: Shares issued during the year*	-	-	20,000,000	2,000
<b>At the end of the year</b>	<b>166,513,064</b>	<b>16,651</b>	<b>166,513,064</b>	<b>16,651</b>

\*During previous year, the Company had obtained Shareholder's approval by way of special resolution passed in Extraordinary General Meeting dated 6 March 2017 to issue 20,000,000 equity shares at face value of INR 10 each to JKM Erla Automotive Limited (Holding Company). The said shares were allotted on 14 March 2017 on a preferential allotment basis.

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

The Company has one class of equity shares having par value of INR 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their shareholding.

The Company has not allotted any fully paid up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date nor has issued shares for consideration other than cash.

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

Particulars	As at 31 March 2018		As at 31 March 2017	
	Number of shares	Amount (in INR lakhs)	Number of shares	Amount (in INR lakhs)
JKM Erla Automotive Limited*	70,513,064	7,051	70,513,064	7,051
Dynamic Technologies Limited**	55,000,000	5,500	55,000,000	5,500
Eisenwerk Erla GmbH	40,999,994	4,100	40,999,994	4,100
<b>Total</b>	<b>166,513,058</b>	<b>16,651</b>	<b>166,513,058</b>	<b>16,651</b>

\* JKM Erla Automotive Limited is Holding Company as it holds 66.97% of voting rights in the Company (direct holding: 42.35% and indirect holding through Eisenwerk Erla GmbH 24.62%).

\*\* Dynamic Technologies Limited is Ultimate Holding Company as it holds 100% of voting rights in the Company (direct holding: 33.03% and indirect holding through JKM Erla Automotive Limited 42.35% and Eisenwerk Erla GmbH 24.62%).

**Details of shareholders holding more than 5% of equity shares in the Company:**

Name of the shareholder	As at 31 March 2018		As at 31 March 2017	
	% of holding	Number of shares	% of holding	Number of shares
JKM Erla Automotive Limited	42.35%	70,513,064	42.35%	70,513,064
Dynamic Technologies Limited	33.03%	55,000,000	33.03%	55,000,000
Eisenwerk Erla GmbH	24.62%	40,999,994	24.62%	40,999,994

16 Other equity	Amount in INR lakhs		
	As at 31 March 2018	As at 31 March 2017	As at 01 April 2016
<b>Particulars</b>			
Retained earnings [refer note 16 (i)]	(14,571)	(13,204)	(11,803)
<b>Total other equity</b>	<b>(14,571)</b>	<b>(13,204)</b>	<b>(11,803)</b>

**16(i) Retained earnings**

The cumulative gain or loss arising from the operations which is retained by the Company is recognised and accumulated under the heading of retained earnings. At the end of the year, the profit after tax is transferred from the statement of profit and loss to the retained earnings account.





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**Amount in INR lakhs**
**17 Non-current borrowings**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<i>Secured loans</i>			
<b>Term Loans</b>			
- from banks [refer footnote (i)]	1,896	2,455	2,863
<i>Unsecured loans</i>			
Inter-corporate deposits [refer footnote (ii)] (refer note 43)	-	239	1,270
<b>Total borrowings</b>	<b>1,896</b>	<b>2,694</b>	<b>4,133</b>
Less: Current maturities of non-current borrowings	(891)	(550)	(398)
	<b>1,005</b>	<b>2,144</b>	<b>3,735</b>

Information about the Company's exposure to interest rate, currency and liquidity risk are disclosed in note 40.

**(i) From banks (including current maturities of non - current borrowings shown under other current financial liabilities) (read alongwith note 40)**

Details of repayment terms, interest and maturity	Nature of security
Term loan aggregating INR 1,521 lakhs (31 March 2017: INR 1,920 lakhs; 1 April 2016: INR 2,247 lakhs) is repayable in 12 quarterly installments. The rate of interest ranges from 12.25% - 13.60% p.a.	Secured, 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 Malhoutra.
Term loan aggregating INR 375 lakhs (31 March 2017: INR 535 lakhs; 1 April 2016: INR 616 lakhs) is repayable in 12 quarterly installments. The rate of interest is 12.25% - 13.60% p.a.	Secured, by way of first charge on current assets and second charge on leasehold land and other fixed assets. Corporate guarantee by Dynamatic Technologies Limited, JKM Erla Automotive Limited and personal guarantee of Mr. Udayant Malhoutra.

**(ii) Inter-corporate deposits**

Deposit from Wavell Investments Private Limited aggregating INR Nil (31 March 2017: INR 239 lakhs; 1 April 2016: INR 1,120 lakhs) at 18% interest per annum. The same has been repaid during the year.

Deposit from Conbar India Private Limited aggregating INR Nil (31 March 2017: Nil; 1 April 2016: INR 150 lakhs) with interest rate @ 18% per annum was fully repaid during the year ended 31 March 2017.

**18 Non-current provisions**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<b>Provision for employee benefits</b>			
Provision for gratuity (refer note 39)	12	7	-
Provision for compensated absences	23	22	19
	<b>35</b>	<b>29</b>	<b>19</b>

**19 Other non - current liabilities**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Advance received from associate company* (refer note 43)	1,933	2,284	2,332
	<b>1,933</b>	<b>2,284</b>	<b>2,332</b>

\*Amount represents long term trade advances received from Eisenwerk Erla GmbH, Germany which carries an interest of 3 month LIBOR. The advance shall be settled quarterly by EUR 1.25 lakh against sales until March 2019. Remaining balance will be adjusted within one year i.e. by March 2020. Accordingly, the Company has disclosed INR 1,933 lakhs / EUR 278 lakhs (31 March 2017: INR 2,284 lakhs / EUR 323 lakhs; 1 April 2016: INR 2,332 lakhs / EUR 378 lakhs) which will be adjusted after twelve months and INR 348 lakhs (EUR 5 lakhs) (31 March 2017: INR 345 lakhs / EUR 5 lakhs; 1 April 2016: INR 345 lakhs / EUR 5 lakhs) as other current liabilities disclosed in note 24 read alongwith note 43.





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**20 Current borrowings**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<i>Unsecured loans</i>			
<b>From banks</b>			
- Bill discounting facility from banks*	297	299	264
	<b>297</b>	<b>299</b>	<b>264</b>

\*The Company has availed vendor bill discounting facility from bank which carry interest between 12.25% to 13.60 % per annum, and is payable within 90 days from date of discounting of bills.

Information about the Company's exposure to interest rate, currency and liquidity risk are disclosed in note 40.

**21 Trade payables**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Dues to micro, small and medium enterprises (refer note 38)	-	-	-
Trade payables to related parties (refer note 43)	-	-	524
Other trade payables	2,390	2,147	2,283
Acceptances	196	168	129
	<b>2,586</b>	<b>2,315</b>	<b>2,936</b>

All trade payables are current.

The Company's exposure to currency and liquidity risk are disclosed in note 40.

**22 Other current financial liabilities**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Current maturity of long term borrowings (refer note 17)	891	550	398
Employee related liabilities	88	89	82
Retention Money	26	136	146
Interest due to related party (refer note 43)	-	89	235
Accrued expenses	42	43	46
Capital creditors	49	77	44
	<b>1,096</b>	<b>984</b>	<b>951</b>

**23 Current provisions**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
<b>Provision for employee benefits</b>			
Provision for gratuity (refer note 39)	18	17	13
Provision for compensated absences	9	8	7
	<b>27</b>	<b>25</b>	<b>20</b>

**24 Other current liabilities**
**Amount in INR lakhs**

Particulars	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Advance from associate company**	348	345	345
Advance received from ultimate holding company	2,226	-	-
Advance from customers #	696	1,084	5
Statutory dues	85	29	11
	<b>3,355</b>	<b>1,458</b>	<b>361</b>

\*\*Pertains to current maturities of advance received aggregating INR 348 lakhs (EUR 5 lakhs) (31 March 2017: INR 345 lakhs / EUR 5 lakhs; 1 April 2016: INR 345 lakhs / EUR 5 lakhs) (refer note 19 read alongwith note 43).

# Includes advance received from Eisenwerk Erla GmbH, Germany amounting to INR 530 lakhs (31 March 2017: INR 1,077 lakhs; 1 April 2016: Nil) (refer note 43)







**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**25 Revenue from operations**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Sale of products</b>		
Revenue from sale of products (including excise duty)*	10,388	9,932
<b>Total revenue from sale of products (A)</b>	<b>10,388</b>	<b>9,932</b>
<b>Other operating revenue</b>		
Export Incentive	61	140
Scrap Sales	35	24
<b>Total other operating revenue (B)</b>	<b>96</b>	<b>164</b>
<b>Total revenue from operations (A + B)</b>	<b>10,484</b>	<b>10,096</b>

\*Consequent to the introduction of Goods and Service Tax ("GST") with effect from 1 July 2017, Central Excise, Value Added Tax ("VAT"), etc. have been subsumed into GST. In accordance with Indian Accounting Standard 18 on Revenue and Schedule III of the Companies Act, 2013 unlike Excise duties, levies like GST, VAT etc. are not part of revenue. Accordingly, the figures are not strictly relatable to those thereafter. The following additional information is being provided to facilitate such an understanding:

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from sale of products (including excise duty) (A)	10,388	9,932
Excise duty (B)	(230)	(668)
<b>Revenue from sale of products (excluding excise duty) (A - B)</b>	<b>10,158</b>	<b>9,264</b>

**26 Other income**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income on financial assets carried at amortised cost	13	42
Loss allowance no longer required written back	-	14
Profit on sale of property, plant and equipment, net	4	-
Foreign exchange gain, net	1	-
	<b>18</b>	<b>56</b>

**27 Cost of materials consumed**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Inventory of materials and components at the beginning of the year	108	71
Add: Purchase of raw materials and components	5,868	4,840
Less: Inventory of materials and components at the end of the year	155	108
	<b>5,821</b>	<b>4,803</b>





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**28 Changes in inventories of finished goods and work-in-progress**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Opening stock</b>		
Finished goods	23	10
Work-in-progress	774	565
<b>Closing stock</b>		
Finished goods	55	23
Work-in-progress	945	774
	<b>(203)</b>	<b>(222)</b>

**29 Employee benefits expense**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries and wages	643	642
Contribution to provident fund and other funds	44	37
Expenses related to post-employment benefit plans - gratuity	10	8
Expenses related to compensated absences	2	8
Staff welfare expenses	18	13
	<b>717</b>	<b>708</b>

**30 Finance costs**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest expense on financial liabilities at amortised cost	502	764
Other borrowing cost	30	40
	<b>532</b>	<b>804</b>

**31 Depreciation and amortisation expense**
**Amount in INR lakhs**

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Depreciation of property, plant and equipment (refer note 3.1)	932	983
amortisation of intangible assets (refer note 3.2)	9	8
	<b>941</b>	<b>991</b>





**JKM Ferrotech Limited**

Notes to the Ind AS financial statements for the year ended 31 March 2018

**32 Other expenses**

Amount in INR lakhs

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Power and fuel	1,997	2,018
Subcontractor charges	833	768
Consumption of stores, loose tools and spare parts	281	230
Material handling charges	124	111
Legal and professional fees	44	49
Repairs and maintenance:		
- plant and machinery	67	46
- buildings	9	30
- others	12	11
Freight outward	157	123
Rent	7	4
Travelling and conveyance expenses	27	45
Packing expenses	78	134
Rates and taxes	31	45
Security charges	28	27
Insurance	31	28
Bank charges	34	39
Printing and stationery	8	9
Communication expenses	6	8
Foreign exchange loss (net)	-	7
Loss allowance on financial assets (net)	6	-
Miscellaneous expenses	54	59
	<b>3,834</b>	<b>3,791</b>





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**

<b>33 Contingent liabilities</b>		<b>Amount in INR lakhs</b>	
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Income tax matters	457	-	-

<b>34 Capital commitments</b>		<b>Amount in INR lakhs</b>	
<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	-	27	14

There are no other material commitments.

35 Payment to auditors (excluding service tax) included in legal and professional fees			Amount in INR lakhs
Particulars	For the year ended		
	31 March 2018	31 March 2017	31 March 2016
Statutory audit fees	10	10	10
Other services	-	1	1
Out of pocket expenses	1	0	1
<b>Total</b>	<b>11</b>	<b>11</b>	<b>12</b>

**36 Lease transactions**
**Operating leases**

The Company has taken residential premises under cancellable operating lease. Lease rental expense under cancellable operating leases for the year ended 31 March 2018 was INR 7 lakhs (previous year: INR 4 lakhs).

**37 Segment reporting**

The Chief Operating Decision Maker ("CODM") (Board of Directors) as defined by Ind AS 108, Operating Segments reviews the operating results of the Company to make decisions about resources to be allocated to the segments and assess their performance.

**A Operating 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 and, hence, the same has been considered as representing a single reportable segment. Accordingly, separate disclosures per the requirements of Ind AS 108, Operating Segments, are not given with respect to the same.

**B Geographical information**

The geographical information analyses the Company's revenue and non-current assets by the Company's country of domicile (i.e. India) and other countries. In presenting the geographical information, segment revenue has been disclosed on the basis of geographical location of the customer and segment assets which have been disclosed based on the geographical location of the assets.

<b>Particulars</b>	<b>Amount in INR lakhs</b>			
	<b>Revenue from operations for the year ended</b>		<b>Non current assets*</b>	
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>
India	9,271	6,089	9,308	10,209
Outside India	1,213	4,007	-	-
<b>Total</b>	<b>10,484</b>	<b>10,096</b>	<b>9,308</b>	<b>10,209</b>

\*Non-current assets exclude financial assets, deferred tax assets and post employment benefit assets.







**JKM Ferrotech Limited****Notes to the Ind AS financial statements for the year ended 31 March 2018****C Major customer**

Revenue from the following external customers are more than 10% of the Company's total revenue:

Particulars	Amount in INR lakhs	
	31 March 2018	31 March 2017
Customer 1	2,406	2,078
Customer 2	1,436	450
Customer 3	1,363	450
Customer 4	1,359	997
Customer 5	1,182	3,714

**38 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 2018 (31 March 2017: INR Nil; 1 April 2016: INR Nil) 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.





**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**39 Assets and liabilities relating to employee benefits**

Particulars	Amount in INR lakhs		
	As at 31 March 2018	As at 31 March 2017	As at 1 April 2016
Net defined benefit liability, gratuity plan	30	24	13
Liability for compensated absences	32	30	26
<b>Total employee benefit liability</b>	<b>62</b>	<b>54</b>	<b>39</b>
Current	27	25	20
Non-current	35	29	19
	<b>62</b>	<b>54</b>	<b>39</b>

The Company operates following post-employment defined benefit plan:

**Defined benefit plan**

The Company operates post-employment defined benefit plan that provide gratuity, governed by the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement / termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service or part thereof in excess of six months. The gratuity plan is a funded plan. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

**A Funding**

The Company's gratuity scheme for employees is administered through a trust with the Life Insurance Corporation of India. The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out below. Employees do not contribute to the plan.

The Company expects to pay INR 18 lakhs in contributions to its defined benefit plans in 2018-19.

**B Reconciliation of net defined benefit liability**

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ assets and its components:

Particulars	Amount in INR lakhs	
	As at 31 March 2018	As at 31 March 2017
<b>Reconciliation of present value of the defined benefit obligation</b>		
Obligation at the beginning of the year	48	36
Interest cost	3	3
Current service cost	8	7
Past service cost	1	-
Benefits paid	(1)	(7)
Actuarial (Gains) / Losses on Obligation recognised in Other Comprehensive Income (in OCI)		
- Changes in financial assumptions	(3)	3
- Experience adjustments	(0.15)	7
<b>Obligation at the end of the year</b>	<b>56</b>	<b>49</b>
<b>Reconciliation of present value of plan assets</b>		
Plan assets at the beginning of the year, at fair value	24	22
Interest income on plan assets	2	2
Return on plan assets, excluding interest income recognised in OCI	-	-
Contributions	-	-
Benefits paid	-	-
<b>Plan assets at end of the year, at fair value</b>	<b>26</b>	<b>24</b>
<b>Net defined benefit liability</b>	<b>30</b>	<b>24</b>





**C (i) Expense recognised in the Statement of profit or loss**

Particulars	Amount in INR lakhs	
	For the year ended	
	31 March 2018	31 March 2017
Current service cost	8	7
Interest cost	3	3
Interest income	(2)	(2)
Past Service Cost	1	-
<b>Net gratuity cost</b>	<b>10</b>	<b>8</b>

**(ii) Remeasurement recognised in other comprehensive income**

Particulars	Amount in INR lakhs	
	For the year ended	
	31 March 2018	31 March 2017
Actuarial loss / (gain) on on defined benefit obligation	(3)	10
Return on plan assets, excluding interest income	-	-
<b>Total loss / (gain) recognised in other comprehensive income</b>	<b>(3)</b>	<b>10</b>

**D Plan assets**

Particulars	Amount in INR lakhs		
	As at	As at	As at
	31 March 2018	31 March 2017	1 April 2016
Insurance fund	26	24	22
	<b>26</b>	<b>24</b>	<b>22</b>

**E Defined benefit obligation****(i) Actuarial Assumptions**

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	31 March 2016
Rate of return on planned assets	7.88%	7.26%	7.99%
Discounting rate	7.88%	7.26%	7.99%
Future salary growth	6.00%	6.00%	6.00%
Attrition rate	5.00%	5.00%	5.00%
Weighted average duration of defined benefit obligation (in years)	10	10	10
Retirement age (in years)	58	58	58

**Notes:**

(i) The discount rate is based on the prevailing market yield on Government Securities as at the balance sheet date for the estimated term of

(ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management.

(iii) The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**(ii) Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant would have affected defined benefit obligation by amounts shown below:

Particulars	As at	As at	As at
	31 March 2018	31 March 2017	31 March 2016
Projected Benefit Obligation on Current assumptions	56	49	35.61
Impact of change in discount rate by +1%	(4.27)	(0.11)	(2.72)
Impact of change in discount rate by -1%	4.86	9.08	3.14
Impact of change in salary rate by +1%	4.91	9.07	3.17
Impact of change in salary rate by -1%	(4.38)	(0.18)	(2.80)
Impact of change in employee turnover rate by +1%	0.58	4.37	0.31
Impact of change in employee turnover rate by -1%	(0.65)	3.93	(0.37)

**Defined contribution plan**

The Company's contribution to Provident Fund aggregating to INR 33 lakhs (31 March 2017: INR 29 lakhs) has been recognised in the Statement of Profit and Loss under the head employee benefit expense.





**40 Financial risk management**

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk; and
- Market risk

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal auditor. Internal Audit function includes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans given. Credit risk arises from cash held with banks, as well as credit exposure to clients, including outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. The carrying amount of financial asset represent the maximum credit exposure.

**Trade and other receivables**

The maximum exposure to credit risk at the reporting date is primarily from trade receivables. However, the management also considers the factors that may influence the credit risk of its customer base. Customers of the Company are spread across diverse industries and geographical areas. The Company limits its exposure to credit risk from trade receivables by establishing a maximum credit period and takes appropriate measures to mitigate the risk of financial loss from defaults. Recurring credit evaluation of credit worthiness is performed based on the financial condition of respective customers.

**Expected credit loss assessment for Trade Receivables as at 1 April 2016, 31 March 2017 and 31 March 2018 are as follows:**

The Company establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on past and the recent collection trend. The maximum exposure to credit risk as at reporting date is primarily from trade receivables as at 31 March 2018 amounting to INR 1,410 lakhs (31 March 2017: 816 lakhs; 1 April 2016: 401 lakhs). The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows -

Particulars	Amount in INR lakhs	
	As at	As at
	31 March 2018	31 March 2017
Balance as at beginning of the year	385	399
Net measurement of loss allowance	6	(14)
<b>Balance as at end of the year</b>	<b>391</b>	<b>385</b>

There is no significant movement in the impairment loss allowance during 2017-18

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Management monitors rolling forecast of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally carried out by the Management of the Company in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**a) Financing arrangement**

The Company maintains the following line of credit:

- (i) Term loan from banks carrying interest rate between 12.25% - 13.60% per annum aggregating INR 1,521 lakhs is repayable in 12 quarterly installments. These are secured 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 Malhoutra.
- (ii) Term loan from banks carrying interest rate between 12.25% - 13.60% per annum aggregating INR 375 lakhs is repayable in 12 quarterly installments. These are secured 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 Malhoutra.
- (iii) The Company has availed vendor bill discounting facility from bank which carry interest between 12.25% - 13.60% per annum, and is payable within 90 days from date of discounting of bills.







**Financial risk management (continued)**

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2018, 31 March 2017 and 1 April 2016. The amounts are gross and undiscounted contractual cash flow and includes contractual interest payment and exclude netting arrangements:

As at 31 March 2018		Amount in INR lakhs			
Particulars	Contractual cash flows				
	Carrying amount	Total	0-1 years	1-5 years	5 years and above
Borrowings*	2,193	2,193	1,188	1,005	-
Trade payables	2,586	2,586	2,586	-	-
Other financial liabilities (current and non - current) #	205	205	205	-	-

As at 31 March 2017		Amount in INR lakhs			
Particulars	Contractual cash flows				
	Carrying amount	Total	0-1 years	1-5 years	5 years and above
Borrowings*	2,993	2,993	849	2,144	-
Trade payables	2,315	2,315	2,315	-	-
Other financial liabilities (current and non - current) #	434	434	434	-	-

As at 1 April 2016		Amount in INR lakhs			
Particulars	Contractual cash flows				
	Carrying amount	Total	0-1 years	1-5 years	5 years and above
Borrowings*	4,397	4,397	662	3,735	-
Trade payables	2,936	2,936	2,936	-	-
Other financial liabilities (current and non - current) #	553	553	553	-	-

As disclosed in note 17 and 20, the Company has secured bank loan that contains loan covenants. Except for these financial liabilities, it is not expected that cash flows included in maturity analysis could occur significantly earlier.

\* Includes current maturities of long term borrowings

# Excludes current maturities of long term borrowings

**iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**a) Currency risk**

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company. The functional currency of the Company is INR. The currencies in which these transactions are primarily denominated are USD and Euro.

Management monitors the movement in foreign currency and the Company's exposure in each of the foreign currency. Based on the analysis and study of movement in foreign currency, the Company decides to exchange its foreign currency.

**Exposure to currency risk**

The summary quantitative data about the Company's exposure to currency risk as reported to management is as follows:

		<b>Amount in INR lakhs</b>					
<b>Particulars</b>	<b>Currency</b>	<b>As at 31 March 2018</b>		<b>As at 31 March 2017</b>		<b>As at 1 April 2016</b>	
		<b>Amount in foreign currency</b>	<b>Amount in INR lakhs</b>	<b>Amount in foreign currency</b>	<b>Amount in INR lakhs</b>	<b>Amount in foreign currency</b>	<b>Amount in INR lakhs</b>
Trade receivables	USD	48,679	32	3,941	2.56	-	-
	EURO	-	-	-	-	697	0.52

The following significant exchange rates have been applied

<b>Currency</b>	<b>Year end spot rate</b>		
	<b>31 March 2018</b>	<b>31 March 2017</b>	<b>1 April 2016</b>
USD/INR	65.04	64.84	66.33
EURO/INR	80.62	69.25	75.10





**JKM Ferrotech Limited**

Notes to the Ind AS financial statements for the year ended 31 March 2018

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the USD, EURO, GBP and SGD against INR at 31 March 2018 and 31 March 2017 would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Particulars	Amount in INR			
	Profit and loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
<b>31 March 2018</b>				
USD (0.30% movement)	9,498	(9,498)	6,358	(6,358)
<b>31 March 2017</b>				
USD (2% movement)	5,111	(5,111)	3,421	(3,421)

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowings comprises of term loan, cash credit working capital loan and bill discounting which carries fixed rate of interest, which do not expose it to interest rate risk.

**(a) Interest rate risk exposure**

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	Amount in INR lakhs		
	As at		
	31 March 2018	31 March 2017	1 April 2016
Variable rate borrowings	2,193	2,993	4,397
Fixed rate borrowings (including current maturities of long term debts)	-	-	-
<b>Total borrowings</b>	<b>2,193</b>	<b>2,993</b>	<b>4,397</b>

**(b) Sensitivity**

Particulars	Amount in INR lakhs			
	Profit and loss		Equity, net of tax	
	1% Increase	1% decrease	1% Increase	1% decrease
<b>31 March 2018</b>				
Variable rate borrowings	(26)	26	(17)	17
<b>31 March 2017</b>				
Variable rate borrowings	(37)	37	(25)	25

**41 Capital management**

The Company's policy is to maintain a stable and strong capital base structure with a focus on total equity so as to maintain investor, creditor and market confidence and to sustain future development and growth of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value and safeguard its ability to continue as a going concern.

The Company monitors capital using a ratio of 'adjusted net debt' to 'equity'. For the purpose of Company's capital management, adjusted net debt is defined as aggregate on Non-current borrowing, current borrowing and current maturities of long-term borrowings less cash and cash equivalents and total equity includes issued capital and all other equity reserves.

The Company's adjusted net debt equity ratio were as follows:

Particulars	Amount in INR lakhs		
	As at		
	31 March 2018	31 March 2017	1 April 2016
Borrowings (current and non-current)	2,193	2,993	4,397
Less: Cash and cash equivalents	(78)	(74)	(127)
<b>Adjusted net debt</b>	<b>2,115</b>	<b>2,919</b>	<b>4,270</b>
Total equity	2,080	3,447	2,848
<b>Net debt to equity ratio</b>	<b>1.02</b>	<b>0.85</b>	<b>1.50</b>





## 42 Financial instruments - fair value and risk management

## Accounting classification and fair value

The following table shows the carrying amount and fair value of financial assets and financial liabilities including their levels in fair value hierarchy:

## Fair value hierarchy

The section explains the judgment and estimates made in determining the fair values of the financial instruments that are:

- recognised and measured at fair value
- measured at amortised cost and for which fair values are disclosed in the financial statements

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Indian Accounting Standard.

Particulars	Amount in INR lakhs				
	Carrying amount	Fair value			Total
	31 March 2018	Level 1	Level 2	Level 3	
<b>Financial assets measured at amortised cost</b>					
Loans (current and non - current)	143	-	-	-	-
Trade receivables, net of loss allowance	1,409	-	-	-	-
Cash and cash equivalents	78	-	-	-	-
Other financial assets (current and non - current)	-	-	-	-	-
<b>Financial assets measured at fair value</b>					
Investments in equity shares	60	-	-	60	60
<b>Total financial assets</b>	<b>1,690</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>60</b>
<b>Financial liabilities measured at amortised cost</b>					
Borrowings (current and non - current)	1,302	-	-	-	-
Trade payables	2,586	-	-	-	-
Other financial liabilities (current and non - current)*	1,096	-	-	-	-
<b>Total financial liabilities</b>	<b>4,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Particulars	Amount in INR lakhs				
	Carrying amount	Fair value			Total
	31 March 2017	Level 1	Level 2	Level 3	
<b>Financial assets measured at amortised cost</b>					
Loans (current and non - current)	516	-	-	-	-
Trade receivables, net of loss allowance	816	-	-	-	-
Cash and cash equivalents	74	-	-	-	-
Other financial assets (current and non - current)	15	-	-	-	-
<b>Financial assets measured at fair value</b>					
Investments in equity shares	69	-	-	69	69
<b>Total financial assets</b>	<b>1,490</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>69</b>
<b>Financial liabilities measured at amortised cost</b>					
Borrowings (current and non - current)	2,443	-	-	-	-
Trade payables	2,315	-	-	-	-
Other financial liabilities (current and non - current)*	984	-	-	-	-
<b>Total financial liabilities</b>	<b>5,742</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Particulars	Amount in INR lakhs				
	Carrying amount	Fair value			Total
	1 April 2016	Level 1	Level 2	Level 3	
<b>Financial assets measured at amortised cost</b>					
Loans (current and non - current)	456	-	-	-	-
Trade receivables, net of loss allowance	401	-	-	-	-
Cash and cash equivalents	127	-	-	-	-
Other financial assets (current and non - current)	13	-	-	-	-
<b>Financial assets measured at fair value</b>					
Investments in equity shares	9	-	-	9	9
<b>Total financial assets</b>	<b>1,006</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>9</b>
<b>Financial liabilities measured at amortised cost</b>					
Borrowings (current and non - current)	3,999	-	-	-	-
Trade payables	2,936	-	-	-	-
Other financial liabilities (current and non - current)*	951	-	-	-	-
<b>Total financial liabilities</b>	<b>7,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Current maturities of long term borrowings aggregating INR 891 lakhs, INR 550 lakhs and INR 398 lakhs as at 31 March 2018, 31 March 2017 and 1 April 2016 respectively, form part of other financial liabilities.





**JKM Ferrotech Limited**

**Notes to the Ind AS financial statements for the year ended 31 March 2018**

**Fair value hierarchy**

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices. This includes investment in equity, preference securities, mutual funds and debentures that have quoted price.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unquoted equity securities.

**Fair Valuation Method**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

**A Financial Assets:**

- 1 Fair value of all the above financial assets are measured at balance sheet date value, as most of them are settled within a short period and so their fair value are assumed to be almost equal to the balance sheet date value.

**B Financial Liabilities:**

- 1 Borrowings: It includes loans taken from banks and cash credit and bill discounting facilities. Borrowings are classified and subsequently measured in the financial statements at amortised cost. Considering that the interest rate on loans is reset on yearly basis, the carrying amount of the loan would be a reasonable approximation of its fair value.
- 2 Trade payables and other financial liabilities: Fair values of trade payables and other financial liabilities are measured at balance sheet date value, as most of them are settled within a short period and so their fair values are assumed almost equal to the balance sheet date values.







**JKM Ferrotech Limited**
**Notes to the Ind AS financial statements for the year ended 31 March 2018**
**43 Related party disclosures**

Description of relationship	Name of related party
Ultimate holding company	Dynamic Technologies Limited
Holding company	JKM Erla Automotive Limited
Company under the same management	Eisenwerk Erla GmbH, Germany
Entities under same group	Wavell Investments Private Limited
	Conbar India Private Limited
Key executive management personnel	Suresh Kumar R - Manager
	Lakshmi Dayanand Kamath - Chief Financial Officer
	Aditya Kumar Jain - Company Secretary
	(resigned with effect from 31 May 2017)
	Chandrashekar S - Company Secretary
	(appointed with effect from 12 September 2017)

**a) Following is the summary of significant transactions and balances with Dynamic Technologies Limited:**

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]		
			Amount in INR lakhs		
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
Sales (net of returns and excise duty)	2,405	2,075	-	-	-
Purchase of raw materials	102	5	-	-	-
Interest expense	50*	102*	-	-	(235)
Short term borrowings taken	1,331	1,917	-	-	-
Short term borrowings (repaid)	(1,331)	(1,917)	-	-	-
Advance received	2,226	-	(2,226)	-	-
Advance paid	-	-	-	-	-
Trade receivable	-	-	81	79	-
Trade payables	-	-	-	-	(524)
Corporate guarantee given for long term borrowings	533	326	2,399	2,932	3,258

\* including tax deducted at source

**b) Following is the summary of significant transactions and balances with JKM Erla Automotive Limited:**

Particulars	Transactions for the year ended		Outstanding balance [Receivable/ (Payable)]		
			Amount in INR lakhs		
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
Interest income	-	5*	-	-	-
Loans and advances given	-	53	-	-	-
Loans and advances (repaid)	-	(53)	-	-	-

\* including tax deducted at source

**c) 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)]		
			Amount in INR lakhs		
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
Sales (net of returns and excise duty)	1,182	3,714	-	-	-
Interest expense	57	54	-	-	-
Advances received against supply	1,247	5,021	-	-	-
Advances (repaid) / adjusted (gross of foreign exchange fluctuation)	(1,018)	(332)	-	-	-
Trade receivable	-	-	-	-	1
Advance payable	-	-	(2,811)	(3,706)	(2,678)





d) 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 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
Interest expense	26*	98*	-	(89)	(0.50)
Intercompany deposit taken	480	170	-	(239)	(1,120)
Intercompany deposit (repaid)	(719)	(1,051)	-	-	-

\* including tax deducted at source

e) 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 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
Interest expense	-	7*	-	-	(0.07)
Intercompany deposit taken	-	-	-	-	(150)
Intercompany deposit (repaid)	-	(150)	-	-	-

\* including tax deducted at source

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

Particulars	Transactions		Outstanding balance		
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	1 April 2016
<b>Managerial Remuneration to:</b>					
Suresh Kumar R*	39	40	(3)	(2)	(2)
Lakshmi Dayanand Kamath*	26	24	(2)	(2)	(2)

\*Managerial remuneration does not include gratuity and compensated absences as the same has been provided based on the actuarial valuation determined for the Company as a whole.

#### Terms and conditions

All transactions with these related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. Non of the balances are secured.

#### 44 Earnings per share

Particulars	Amount in INR lakhs	
	For the year ended 31 March 2018	For the year ended 31 March 2017
Net profit / (loss) for the year attributable to equity shareholders	(1,370)	(1,391)

#### Reconciliation of basic and diluted shares used in computing earnings per share:

Particulars	31 March 2018	31 March 2017
Number of equity shares outstanding at the beginning of the year	166,513,064	146,513,064
Add: Weighted average number for equity shares issued during the year (Nil shares issued during the year; 20,000,000 number of shares issued on 14 March 2017)	-	986,301
Weighted average number of equity shares outstanding during the year	166,513,064	147,499,365

#### Earnings per share

Basic	(0.82)	(0.94)
Diluted	(0.82)	(0.94)





45 Details of non-current investments purchased and sold during the year under section 186(4) of the Act:  
Investment in equity instruments

Particulars	Face value per unit	As at 1 April 2017	Purchased during the year	Sold during the year	Amount in INR lakhs
					As at 31 March 2018
<b>Unquoted</b>					
<b>Investments carried at fair value through profit and loss</b>					
Rengaraj Ispat Industries Pvt Ltd	INR 100	9	-	9	-
		(9,000)*		(9,000)*	
Kamachi Industries Limited	INR 10	60	-	-	60
		(600,000)*			(600,000)*

Details of non-current investments purchased and sold during the previous year under section 186(4) of the Act:					Amount in INR lakhs
Particulars	Face value per unit	As at 1 April 2016	Purchased during the year	Sold during the year	As at 31 March 2017
Unquoted					
Investments carried at fair value through profit and loss					
Rengaraj Ispat Industries Pvt Ltd	100	9	-	-	9
		(9,000)*			(9,000)*
Kamachi Industries Limited	10	-	60	-	60
			(600,000)*		(600,000)*

During the previous year, the Company had executed a power sharing agreement (PSA) dated 23 December 2016 with Kamachi Industries Limited (KIL). Pursuant to the terms of the PSA, the Company has entered into a share purchase agreement (SPA) dated 23 December 2016 with KIL and invested a sum of INR 60 lakhs to acquire 0.5% equity stake in the KIL. KIL proposes to generate 70MW capacity of power for use by its captive users in accordance with the provisions of the Electricity Act 2003 and Rules framed thereunder.

During the year 2015-16, the Company had executed a power sharing agreement (PSA) dated 4 February 2016 with Rengaraj Ispat Industries Private Limited (SRIIPL). Pursuant to the terms of the PSA, the Company had entered into a share purchase agreement (SPA) dated 4 February 2016 with SRIIPL and Rengaraj Steel and Alloys Private Limited and invested a sum of INR 9 lakhs 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. During current year, the Company has discontinued the service from SRIIPL and accordingly investment was sold.

\*The amounts in parenthesis represents number of shares.

46 Details of loans given during the previous year under Section 186(4) of the Act

Name of borrower	Rate of Interest	Nature of relationship	Secured / Unsecured	Amount in INR lakhs			
				As at 1 April 2016	Given during the year	Repayment during the year #	As at 31 March 2017
JKM Erla Automotive Limited	13% per annum	Holding Company	Unsecured	-	53	(53)	-

Details of loans given during the current year under section 186(4) of the Act is INR Nil.

The loans have been given in the normal course of business for their operations and are repayable on demand.

# Refer note 43

47 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'). As the net worth of the Company has turned positive, the Company, during the year 2015-16, has filed an application with Honorable Board of Industrial & Financial Reconstruction (BIFR) for de-registration. The Company had a hearing on 8 July 2016 and had submitted the requisite documents. The Company has received the Order dated 20 September 2016 from Appellate Authority for Industrial and financial reconstruction against the application filed and the Authority has discharged the Company from the purview of 'SICA'.

48 The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92-92F of the Income-tax Act. Since the law requires 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 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 provision for taxation.

49 Disclosure on Specified Bank Notes (SBNs)

During the year ended 31 March 2017, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017. The details of Specific Bank Notes ('SBN') held and transacted during the period from 8 November 2016 to 30 December 2016 and the denomination wise SBNs and other notes as per the notification is given below:

Particulars	Amount in INR		
	SBNs*	Other denomination notes	Total
Closing cash on hand as on 8 November 2016	31,500	42,958	74,458
(+) Withdrawal from banks	-	224,055	224,055
(+) Permitted receipts	-	(183,863)	(183,863)
(-) Permitted payments	-	-	-
(-) Amount deposited in banks	(31,500)	-	(31,500)
Closing cash on hand as on 30 December 2016	-	83,150	83,150

\*For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8 November 2016.

Note: The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However, amounts as appearing in the audited Standalone Ind AS financial statements for the period ended 31 March 2017 have been disclosed.





50 Income tax

A Amount recognised in statement of profit and loss		Amount in INR lakhs	
Particulars		For the year ended 31 March 2018	For the year ended 31 March 2017
Current income tax:			
Current income tax charge		-	-
Deferred tax:			
Attributable to-			
Origination and reversal of temporary differences		-	-
<b>Income tax expense reported in the statement of profit and loss</b>		<b>-</b>	<b>-</b>

B Income tax recognised in other comprehensive income		Amount in INR lakhs	
Particulars		For the year ended 31 March 2018	For the year ended 31 March 2017
Net gain / (loss) on remeasurement of defined benefit liability / (assets)		-	-
<b>Income tax charged to OCI</b>		<b>-</b>	<b>-</b>

C Deferred tax		Amount in INR lakhs					
Deferred tax relates to the following:							
Particulars	As at 1 April 2016	recognised in profit or loss during 2016-17	recognised in OCI during 2016-17*	As at 31 March 2017	recognised in profit or loss during 2017-18	recognised in OCI during 2017-18*	As at 31 March 2018
<b>Deferred tax assets / (liabilities)</b>							
Property, plant and equipment and intangible assets	(1,172)	57	-	(1,115)	292	-	(823)
Provision for loss allowance	123	(4)	-	119	(18)	-	101
Provision for gratuity and compensated absences	12	5	-	17	(1)	-	16
Unabsorbed depreciation / loss	1,034	(57)	-	977	(273)	-	704
Others	3	(1)	-	2	0	-	2
<b>Deferred tax assets / (liabilities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

D Unrecognised deferred tax assets/ (liabilities)

The Company does not have unrecognised deferred tax liabilities

Unrecognised deferred tax assets primarily pertains to business losses. These unexpired business losses will expire based on the year of origination as follows

As at 31 March 2018		Amount in INR lakhs
		Unabsorbed business losses
2019-20		1,083
2020-21		1,016
2021-22		2,103
2022-23		1,026
2023-24		1,788
Thereafter		2,492
		<b>9,508</b>

Since it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom, the Company has recognised deferred tax asset on unabsorbed loss and depreciation to the extent of deferred tax liability.







**JKM Ferrotech Limited**  
**Notes to the Ind AS financial statements for the year ended 31 March 2018**

**51 First time adoption**

As stated in note 1, these are the Company's first Ind AS financial statements prepared in accordance with Ind AS. For the purpose of transition from previous GAAP to Ind AS, the Company has followed the guidance prescribed under Ind AS 101 – First time adoption of Indian Accounting Standards ("Ind AS 101"), with effect from 1 April 2016 ("transition date"). For the year ended 31 March 2017, the Company had prepared its standalone financial statements in accordance with Companies (Accounts) Rules, 2014, notified under Section 133 of the Act and other relevant provisions of the Act ("previous GAAP" or the "Indian GAAP").

The accounting policies set out in note 2 have been applied in preparing these Ind AS financial statements for the year ended 31 March 2018 including the comparative information for the year ended 31 March 2017 and the opening Ind AS balance sheet on the date of transition i.e. 1 April 2016.

In preparing its Ind AS balance sheet as at 1 April 2016 and in presenting the comparative information for the year ended 31 March 2017, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. This note explains the principal adjustments made by the Company in restating its financial statements prepared in accordance with previous GAAP, and how the transition from previous GAAP to Ind AS has affected the Company's financial position and financial performance. There were no significant reconciling items between cash flows prepared under Indian GAAP and those prepared under Ind AS.

**Optional exemptions availed and mandatory exceptions**

In preparing these Ind AS financial statements, the Company has applied the below mentioned optional exemptions and mandatory exceptions.

**A Optional exemptions availed:**

**Property plant and equipment and intangible assets**

As per Ind AS 101 an entity may elect to:

- (a) measure an item of property, plant and equipment at the date of transition at its fair value and use that fair value as its deemed cost at that date
- (b) use a previous GAAP revaluation of an item of property, plant and equipment at or before the date of transition as deemed cost at the date of the revaluation, provided the revaluation was, at the date of the revaluation, broadly comparable to:

- fair value;

- or cost or depreciated cost under Ind AS adjusted to reflect, for example, changes in a general or specific price index.

The elections under (a) and (b) above are also available for intangible assets that meets the recognition criteria in Ind AS 38, Intangible Assets, (including reliable measurement of original cost); and criteria in Ind AS 38 for revaluation (including the existence of an active market).

- (c) use carrying values of property, plant and equipment, intangible assets and investment properties as on the date of transition to Ind AS (which are measured in accordance with previous GAAP and after making adjustments relating to decommissioning liabilities prescribed under Ind AS 101) if there has been no change in its functional currency on the date of transition.

On transition to Ind AS, the Company has elected to fair value its land, buildings and plant and machinery and for all other items of property, plant and equipment recognise the carrying value as per para 16 of Ind AS 16.

**B Mandatory exceptions availed:**

Ind AS 101 also allows first-time adopters certain mandatory exemptions to be applied for retrospective application of certain requirements under Ind AS for transition from the previous GAAP:

**(i) Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification of financial assets on the basis of facts and circumstances existing as on the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively except where the same is impracticable.

**(ii) Estimates**

As per Ind AS 101, An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. However, the estimates should be adjusted to reflect any differences in accounting policies.

As per Ind AS 101, where application of Ind AS requires an entity to make certain estimates that were not required under previous GAAP, those estimates should be made to reflect conditions that existed at the date of transition (for preparing opening Ind AS balance sheet) or at the end of the comparative period (for presenting comparative information as per Ind AS).

Ind AS estimates as at 1 April 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

- Fair valuation of financial instruments carried at fair value through profit and loss or fair value through other comprehensive income;
- Impairment of financial assets based on expected credit loss model and
- Determination of the discounted value for financial instruments carried at amortised cost;

Upon the assessment of the estimate made under previous GAAP, the Company has concluded that there was no necessity to revise such estimates under Ind AS, other than those which are required due to application of Ind AS.





**(iii) De-recognition of financial assets and liabilities**

As per Ind AS 101, an entity should apply the derecognition requirements in Ind AS 109, Financial Instruments, prospectively for transactions occurring on or after the date of transition to Ind AS.

However, an entity may apply the derecognition requirements retrospectively from a date chosen by it if the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions were obtained at the time of initially accounting for those transactions. The Company has chosen to avail the exception to apply the derecognition provisions of Ind AS 109 prospectively from the date of transition.

**(iv) Classification and measurement of financial assets**

Ind AS 101 require an entity to classify and measure its financial assets into amortised cost, fair value through profit or loss or fair value through other comprehensive income based on the business model assessment and solely payment of principal and interest ("SPPI") criterion based on facts and circumstances that exist at the date of transition. Further, the standard permits measurement of financial assets accounted at amortised cost based on the facts and circumstances existing at the date of transition if retrospective application is impracticable.

Accordingly, the Company has determined the classification of financial assets based on facts and circumstances that exist on the date of transition. Measurement of the financial assets accounted at amortised cost has been done retrospectively, except where the same is impracticable.

**C Reconciliation between previous GAAP and Ind AS:**

The following reconciliations provides the effect of transition to Ind AS from previous GAAP in accordance with Ind AS 101

1. Balance sheet as at 1 April 2016 and 31 March 2017

2. Net profit for the year ended 31 March 2017

3. Total equity as at 31 March 2017 and 1 April 2016

**1. Reconciliation of balance sheet as at date of transition (1 April 2016)**

Amount in INR lakhs

Particulars	Note no	Previous GAAP*	Adjustments	Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	10,413	640	11,053
Intangible assets		16	-	16
Capital work in progress		6	-	6
Financial assets				
(i) Investments		9	-	9
(ii) Non current loans		452	-	452
(iii) Other non - current financial assets		13	-	13
Deferred tax assets (net)		-	-	-
Income tax assets (net)		18	-	18
Other non - current assets	2	2	56	58
<b>Total non - current assets</b>		<b>10,929</b>	<b>696</b>	<b>11,625</b>
<b>Current assets</b>				
Inventories		854	-	854
Financial assets				
(i) Trade receivables	4	605	(204)	401
(ii) Cash and cash equivalents		127	-	127
(iii) Current loans		4	-	4
Other current assets	2	421	34	455
<b>Total current assets</b>		<b>2,011</b>	<b>(170)</b>	<b>1,841</b>
<b>Total Assets</b>		<b>12,940</b>	<b>526</b>	<b>13,466</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital		14,651	-	14,651
Other equity		(12,329)	526	(11,803)
<b>Total equity</b>		<b>2,322</b>	<b>526</b>	<b>2,848</b>
<b>Non - current liabilities</b>				
Financial liabilities				
(i) Non - current borrowings		3,735	-	3,735
Non - current provisions		19	-	19
Other non - current liabilities		2,332	-	2,332
<b>Total non - current liabilities</b>		<b>6,086</b>	<b>-</b>	<b>6,086</b>
<b>Current liabilities</b>				
Financial liabilities				
(i) Borrowings		264	-	264
(ii) Trade payables		2,936	-	2,936
(iii) Other current financial liabilities		951	-	951
Current provisions		20	-	20
Other current liabilities		361	-	361
<b>Total current liabilities</b>		<b>4,532</b>	<b>-</b>	<b>4,532</b>
<b>Total liabilities</b>		<b>10,619</b>	<b>-</b>	<b>10,618</b>
<b>Total Equity and Liabilities</b>		<b>12,940</b>	<b>526</b>	<b>13,466</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.





**JKM Ferrotech Limited**  
**Notes to the Ind AS financial statements for the year ended 31 March 2018**

Reconciliation of balance sheet as at 31 March 2017				Amount in INR lakhs
Particulars	Note no	Previous GAAP*	Adjustments	Ind AS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	9,558	577	10,135
Intangible assets		24	-	24
Financial assets				
(i) Investments		69	-	69
(ii) Non current loans		511	-	511
(ii) Other non - current financial assets		15	-	15
Deferred tax assets (net)		-	-	-
Income tax assets (net)		22	-	22
Other non - current assets	2	-	28	28
<b>Total non - current assets</b>		<b>10,199</b>	<b>605</b>	<b>10,804</b>
<b>Current assets</b>				
Inventories		1,022	-	1,022
Financial assets				
(i) Trade receivables	4	1,012	(196)	816
(ii) Cash and cash equivalents		74	-	74
(iii) Current loans		5	-	5
Other current assets	2	236	28	264
<b>Total current assets</b>		<b>2,349</b>	<b>(168)</b>	<b>2,181</b>
<b>Total Assets</b>		<b>12,548</b>	<b>437</b>	<b>12,985</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital		16,651	-	16,651
Other equity		(13,641)	437	(13,204)
<b>Total equity</b>		<b>3,010</b>	<b>437</b>	<b>3,447</b>
<b>Non - current liabilities</b>				
Financial liabilities				
(i) Non - current borrowings		2,144	-	2,144
Non - current provisions		29	-	29
Other non - current liabilities		2,284	-	2,284
<b>Total non-current liabilities</b>		<b>4,457</b>	<b>-</b>	<b>4,457</b>
<b>Current liabilities</b>				
Financial liabilities				
(i) Borrowings		299	-	299
(ii) Trade payables		2,315	-	2,315
(iii) Other financial liabilities		984	-	984
Provisions		25	-	25
Other current liabilities		1,458	-	1,458
<b>Total current liabilities</b>		<b>5,081</b>	<b>-</b>	<b>5,081</b>
<b>Total liabilities</b>		<b>9,538</b>	<b>-</b>	<b>9,538</b>
<b>Total Equity and Liabilities</b>		<b>12,548</b>	<b>437</b>	<b>12,985</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.





2. Reconciliation of Statement of Profit and Loss as previously reported under previous GAAP to Ind AS				Amount in INR lakhs
Particulars	Note no	Year ended 31 March 2017		
		Previous GAAP*	Adjustments	Ind AS
<b>Income</b>				
Revenue from operations		10,096	-	10,096
Other income	4	48	8	56
<b>Total income</b>		<b>10,143</b>	<b>8</b>	<b>10,152</b>
<b>Expenses</b>				
Cost of materials and components consumed		4,803	-	4,803
Changes in inventory of finished goods and work in progress		(222)	-	(222)
Excise duty		668	-	668
Employee benefits expense	3	718	(10)	708
Finance costs	2	770	34	804
Depreciation and amortisation expense	1	926	65	991
Other expenses		3,791	-	3,791
<b>Total expenses</b>		<b>11,454</b>	<b>89</b>	<b>11,543</b>
<b>Loss before tax</b>		<b>(1,311)</b>	<b>(81)</b>	<b>(1,391)</b>
Income tax expense		-	-	-
<b>Loss for the year</b>		<b>(1,311)</b>	<b>(81)</b>	<b>(1,391)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
- Remeasurements of defined benefit plans	3	-	(10)	(10)
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>(10)</b>	<b>(10)</b>
<b>Total comprehensive income for the year</b>		<b>(1,311)</b>	<b>(90)</b>	<b>(1,401)</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note

3. Reconciliation of total equity as at 31 March 2017 and 1 April 2016				Amount in INR lakhs
Particulars	Note no	As at		
		31 March 2017	1 April 2016	
<b>Total equity (shareholder's funds) as per previous GAAP</b>		<b>3,010</b>	<b>2,322</b>	
Adjustments:				
Expected credit loss allowance	4	(196)	(204)	
Fair valuation and depreciation impact of property, plant and equipment	1	577	640	
Amortisation of financial guarantee	2	56	90	
<b>Total adjustments</b>		<b>437</b>	<b>526</b>	
<b>Equity under Ind AS</b>		<b>3,447</b>	<b>2,848</b>	

**D Explanations for reconciliation of Balance Sheet and Statement of Profit & Loss as previously reported under previous GAAP to Ind AS:**

**1) Fair valuation of property, plant and equipment and other intangible assets**

The Company has elected to measure certain items of property, plant and equipment at fair value at the date of transition to Ind AS and the remaining item has been accounted based on cost as determined in accordance with Ind AS - 16. Hence at the date of transition to Ind AS, a net increase of INR 640 lakhs was recognised in property, plant and equipment (31 March 2017: INR 577 lakhs). The Company has accounted net increase in depreciation and amortisation of INR 65 lakhs for the year ended 31 March 2017 on account of fair valuation of property, plant and equipment.

**2) Financial guarantee from Ultimate Holding Company**

The Company has received financial guarantees against the loan taken from banks. Under previous GAAP, the guarantees given were not required to be disclosed. Under Ind AS, the Company has recognised finance cost expenses on such guarantee under Ind AS 109 and recorded the same at its fair value.

**3) Remeasurement of post-employment benefit expenses**

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year.







**JKM Ferrotech Limited**

**Notes to the Ind AS financial statements for the year ended 31 March 2018**

**4) Trade Receivables**

Under Previous GAAP, loss provision for trade receivables was created based on credit risk assessment of each customer. Under Ind AS, these provisions are based on assessment of risk of default and timing of collection. The Company uses an allowance matrix to measure the expected credit loss over the last three years under which the Company impaired its trade receivables by INR 204 lakhs on the date of transition (31 March 2017: INR 196 lakhs).

As per our report of even date attached

for **BSR & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

  
**Umang Banka**  
Partner

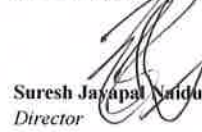
Membership no: 223018

Place: Bengaluru

Date: 26 May 2018

for and on behalf of the Board of Directors of

**JKM Ferrotech Limited**

  
**Suresh Jayapal Naidu**  
Director

DIN: 06876264

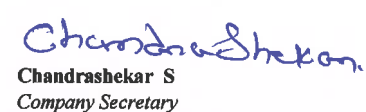
  
**Lakshmi Dayanand Kamath**  
Chief Financial Officer

Place: Bengaluru

Date: 26 May 2018

  
**Satish Pal Singh**  
Director

DIN: 07046472

  
**Chandrashekar S**  
Company Secretary



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