INDEPENDENT AUDITORS' REPORT

To the Members of Thales Reliance Defence Systems Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Thales Reliance Defence Systems Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020 and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020 and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Information Other than the Ind AS Financial Statements and Auditors' Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report but does not include Ind AS financial statements and our Auditors' report thereon.

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

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

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

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 Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance, total 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 specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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 Ind AS 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.

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

Auditors' Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs' will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 our Auditors' report to the related disclosures in the Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The balance sheet, the statement of profit and loss (including other comprehensive income), statement of changes in equity and the statement of cash flow dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2015.

   (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

   (f) With respect to the adequacy of internal controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure B" to this report.

   (g) In our opinion, the managerial remuneration for the year ended March 31, 2020, has been paid/provided by the Company to its director in accordance with provisions of Section 197 read with Schedule V of the Act.

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

i. There are no pending litigations which could have an impact on 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.

For **S. N. Dhawan & Co LLP**
Chartered Accountants
Firm Registration No.: 000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 20509590AAAAAI6033

Place: New Delhi
Date: May 01, 2020

Annexure A to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of the Independent Auditors' Report of even date to the members of Thales Reliance Defence Systems Limited on the Ind AS financial statements as of and for the year ended March 31, 2020)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets (property, plant and equipment).

(b) The Company has a regular program of physical verification of its fixed assets by which its fixed assets are verified on annual basis. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its fixed assets. As per the plan, the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on verification of fixed assets.

(c) According to the information and explanations given to us and based on our examination of the registered lease agreement and other relevant records, the leasehold land title is in the name of the Company.

(ii) Due to the nationwide lockdown announced by the Indian government w.e.f. March 25, 2020, the Company management was not able to perform the physical verification of the inventories at the end of year. However, the factory area got the ease in restrictions on April 20, 2020 and the management performed the physical verification on April 21, 2020.
In our opinion, considering the size and nature of operations of the Company and the unprecedented situation arising due to Covid-19, the frequency of such verification is reasonable and adequate.
No discrepancies were identified in such count of inventories. Also, there were no purchase or sale transactions occurred during the period April 1, 2020 to April 21, 2020.

(iii) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and security granted in respect of which provisions of Sections 185 and 186 of the Act are applicable.

(v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year and had no unclaimed deposits at the beginning of the year within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) According to the information and explanation given to us, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, income-tax, duty of customs, cess, goods and services tax and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, there are no dues of income tax, customs duty, and cess which have not been deposited on account of any dispute.

(viii) In our opinion and according to the information and explanations given to us, the Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.

(ix) In our opinion and according to the information and explanations given to us, the Company has not raised money by way of initial public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

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

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion and according to the information and explanations given to us, all transactions with the related parties are in compliance of Section 188 of the Act where applicable, and the requisite details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards. Section 177 of the Act is not applicable to the Company.

(xiv) During the year, the Company has made a private placement of shares and requirement of Section 62(1)(c) of the Companies Act 2013 have been complied with. The amount has not been raised with specific purpose, the Company has utilized the money for bona fide business use of the Company.

(xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, provisions of clause 3(xv) of the Order are not applicable.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, provisions of clause 3(xvi) of the Order are not applicable.

For **S. N. Dhawan & Co LLP**
Chartered Accountants
Firm's Registration No.:000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 20509590AAAAAI6033

Place: New Delhi
Date: May 01, 2020

Annexure B to the Independent Auditors' Report of even date to the members of Thales Reliance Defence Systems Limited, on the Ind AS financial statements for the year ended March 31, 2020.

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory requirement Section of our report of even date)

Independent Auditors' report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. We have audited the internal financial controls with reference to financial statements of Thales Reliance Defence Systems Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to 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 issued by the Institute of Chartered Accountants of India. 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 the Company's 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

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India (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 financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 Auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. 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 financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

6. A Company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal financial control with reference to 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 issued by the Institute of Chartered Accountants of India.

For **S. N. Dhawan & Co LLP**
Chartered Accountants
Firm's Registration No.:000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 20509590AAAAAI6033

Place: New Delhi
Date: May 01, 2020

THALES RELIANCE DEFENCE SYSTEMS LIMITED

ACCOUNTS FOR THE YEAR ENDED ON MARCH 31, 2020

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
BALANCE SHEET

(All amounts in Hundred INR unless stated otherwise)

	Note no.	As at March 31, 2020	As at March 31, 2019
1 Non-current assets			
a. Property, plant and equipment	3	4,97,786.37	4,49,951.08
b. Capital work in progress	3	31,66,985.10	1,52,917.25
c. Financial assets			
i. Other financial assets	4	13,365.07	1,898.01
d. Deferred tax assets (net)	5	1,34,091.23	-
e. Income tax assets	6	498.62	-
f. Other non - current assets	7	9,97,356.83	40,331.45
Total non-current assets		**48,10,083.22**	**6,45,097.79**
2 Current assets			
a. Inventories	8	7,83,072.31	-
b. Financial assets			
i. Trade receivables	9	16,892.76	-
ii. Cash and cash equivalents	10	23,47,426.77	15,35,897.73
iii. Other financial assets	4	1,347.58	7,859.59
c. Other current assets	7	17,04,843.78	78,502.13
Total current assets		**48,53,583.20**	**16,22,259.45**
Total assets		**96,63,666.42**	**22,67,357.24**
Equity and liabilities			
1 Equity			
a. Equity share capital	11	28,57,400.00	1,01,000.00
b. Other equity	12	(10,18,707.70)	(5,99,597.40)
Total equity		**18,38,692.30**	**(4,98,597.40)**
2 Share based amount pending allotment		-	**4,22,740.00**
3 Liabilities			
Non-current liabilities			
a. Provisions	13	17,911.82	678.98
b. Income tax liabilities (net)	14	-	576.01
c. Other non-current liabilities	15	24,04,437.05	19,67,700.40
Total non-current liabilities		**24,22,348.87**	**19,68,955.39**
Current liabilities			
a. Financial liabilities			
i. Trade payables	16		
- total outstanding dues of micro enterprises and small enterprises		-	-
- total outstanding dues of creditor other than micro enterprises and small enterprises		11,48,518.00	2,94,766.20
ii. Other financial liabilities	17	4,41,671.07	-
b. Provisions	13	3,535.27	40.13
c. Other current liabilities	18	38,08,900.91	79,452.92
Total current liabilities		**54,02,625.25**	**3,74,259.25**
Total liabilities		**78,24,974.12**	**23,43,214.64**
Total equity and liabilities		**96,63,666.42**	**22,67,357.24**

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / N500045

For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No. 509590

Rajesh K Dhingra
Director
DIN : 03612092

Prem Chand Jain
Director
DIN :06664784

Place New Delhi
Date: May 01,2020

Place : New Delhi
Date: May 01,2020

Place : New Delhi
Date: May 01,2020

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF PROFIT AND LOSS

(All amounts in Hundred INR unless stated otherwise)

		Note no.	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
I	**Revenue**			
	Revenue from operations	19	23,27,840.78	-
	Other income	20	1,46,364.33	18,945.80
	Total income		**24,74,205.11**	**18,945.80**
II	**Expenses**			
	Cost of material and services consumed		26,55,710.12	-
	Changes in inventories of service work-in-progress and finished goods	21	(7,23,681.18)	-
	Employee benefits expense	22	4,64,918.61	1,28,699.64
	Depreciation expense	3	18,816.67	6,019.21
	Other expenses	23	6,10,763.02	4,78,898.44
	Total expenses		**30,26,527.24**	**6,13,617.29**
III	**Loss before tax**		**(5,52,322.13)**	**(5,94,671.49)**
IV	**Tax expense**			
	Current tax	24	-	4,925.91
	Deferred tax	5	(1,33,862.59)	-
			(1,33,862.59)	**4,925.91**
V	**Loss after tax**		**(4,18,459.54)**	**(5,99,597.40)**
VI	**Other comprehensive income**		-	-
	Items that will not be reclassified to profit or loss			
	i. Remeasurements of net defined benefit plans:			
	-Gratuity	28(b)	(879.40)	-
	ii. Income tax relating to items that will not be reclassified to profit or loss	5	228.64	-
	Other comprehensive income/(loss), net of taxes		**(650.76)**	**-**
VII	**Total comprehensive income/(loss) for the period (V +VI)**		**(4,19,110.30)**	**(5,99,597.40)**
VII	**Earnings per equity share**	25		
	Equity shares of face value Rs. 100 each			
	Basic (Rs. Per share)		(34.83)	(1,160.59)
	Diluted (Rs. Per share)		(34.83)	(1,160.59)

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date
For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / N500045

For and on behalf of the Board of Directors of Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No. 509590

Rajesh K Dhingra
Director
DIN : 03612092

Prem Chand Jain
Director
DIN :06664784

Place : New Delhi
Date: May 01,2020

Place : New Delhi
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Place : New Delhi
Date: May 01,2020

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR APRIL 1, 2019 TO MARCH 31, 2020

(All amounts in Hundred INR unless stated otherwise)

A. Equity share capital

Particulars	**No. of Shares**	**Amount**
Equity shares of Rs. 100 each issued, subscribed and fully paid		
Balance as at April 1, 2018	-	-
Issue of equity share capital	1,01,000	1,01,000.00
Balance as at March 31, 2019	1,01,000	1,01,000.00
Issue of equity share capital	27,56,400	27,56,400.00
Balance as at March, 31 2020	**28,57,400.00**	**28,57,400.00**

B. Other equity

	Retained earnings	**Items of other comprehensive income, net of tax**	**Total**
Balance as at April 1, 2018	-	-	-
Loss for the period	(5,99,597.40)	-	(5,99,597.40)
Other comprehensive income for the period	-	-	-
Balance as at March 31, 2019	**(5,99,597.40)**	-	**(5,99,597.40)**
Loss for the period	(4,18,459.54)	-	**(4,18,459.54)**
Other comprehensive income/(loss) for the period, net of income tax	-	(650.76)	**(650.76)**
Balance as at March, 31 2020	**(10,18,056.94)**	**(650.76)**	**(10,18,707.70)**

The accompanying notes form an integral part of Financial Statements

As per our attached Report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N /N500045

Pankaj Walia
Partner
Membership No. 509590

Place : New Delhi
Date: May 01,2020

For and on behalf of the Board of Directors of Thales Reliance Defence Systems Limited

Rajesh K Dhingra
Director
DIN : 03612092

Place : New Delhi
Date: May 01,2020

Prem Chand Jain
Director
DIN :06664784

Place : New Delhi
Date: May 01,2020

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CASH FLOWS

(All amounts in Hundred INR unless stated otherwise)

	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
A Cash flow from operating activities		
Loss after tax	**(4,18,459.54)**	**(5,94,671.49)**
Adjustments for:		
Income tax expense recognised in profit or loss	(1,33,862.59)	4,925.91
Depreciation of plant, property and equipment	18,816.67	6,019.21
Interest income	(4,904.58)	(18,945.80)
Unrealised (gain)/loss on exchange fluctuation (net)	(1,41,459.75)	10,401.24
Cash generated from operations before working capital changes	**(6,79,869.79)**	**(5,92,270.94)**
Movement in working capital:		
(Increase)/ decrease in financial assets and other assets	(24,48,425.47)	(50,184.11)
(Increase)/decrease in trade receivables	(16,892.76)	-
(Increase)/decrease in inventories	(7,83,072.31)	(78,407.07)
Increase/(decrease) in provisions	19,848.58	719.11
Increase/(decrease) in trade payable	8,53,751.80	2,94,766.20
Increase/ (decrease) in financial liabilities and other liabilities	46,07,855.71	20,31,826.17
Cash generated from operations	**15,53,195.76**	**16,06,449.36**
Income taxes paid	(1,074.63)	(4,349.90)
Net cash used in operating activities	**15,52,121.13**	**16,02,099.46**
B Cash flow from investing activities		
Purchase of property, plant and equipment*	(30,80,719.81)	(1,86,147.54)
Interest received on deposit with banks	6,467.72	18,945.80
Net cash generated from /(used in) investing activities	**(30,74,252.09)**	**(1,67,201.74)**
C Cash flow from financing activities		
Proceeds from issuance of equity shares*	23,33,660.00	1,01,000.00
Net Cash generated from financing activities	**23,33,660.00**	**1,01,000.00**
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	**8,11,529.04**	**15,35,897.73**
Cash and cash equivalents as at the beginning of the period	15,35,897.73	-
Cash and cash equivalents as at the end of the period	23,47,426.77	15,35,897.73
Net Increase/(Decrease)	**8,11,529.04**	**15,35,897.73**

* During the current financial year, the Company has issued fully paid up equity shares amounting to Hundred INR 422,740 to its holding Company (Reliance Aerostructure Limited) pursuant to contract without consideration being received in cash. As non-cash consideration, the holding company has provided a leasehold land which is included in property, plant and equipment of the Company in previous period.

1) The statement of cash flow has been prepared under the indirect method as set out in Ind AS 7 on statements of cash flow.
2) Figures in brackets indicate cash outflow.

The accompanying notes form an integral part of Financial Statements

As per our attached report of even date

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N /N500045

For and on behalf of the Board of Directors of Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No. 509590

Place : New Delhi
Date: May 01,2020

Rajesh K Dhingra
Director
DIN : 03612092

Place : New Delhi
Date: May 01,2020

Prem Chand Jain
Director
DIN :06664784

Place : New Delhi
Date: May 01,2020

1 Background of the Company

Thales Reliance Defence Systems Limited ('the Company') is a joint venture between Reliance Aerostructure Limited and Thales India Private Limited with an equity participation of 51:49. The Company is engaged to carry on business on for air borne radar systems and electronic warfare system for aircraft in India.

The Company is a public limited Company incorporated and domiciled in India having the identification number U29305MH2018PLC305829. The Company was incorporated on March 1, 2018 and has its registered office at 502, Plot No. 91/94, Prabhat Colony, Santacruz (East), Mumbai - 400 055.

2 Basis of preparation

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

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Derivative Financial Instruments
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The financial statements are presented in Indian Rupees except as stated otherwise.

2.1 Summary of significant accounting policies

a. Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.
Deferred Tax assets are classified as non-current assets.

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

The Company classifies all other liabilities as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b. Foreign currencies

The Company's financial statements are presented in INR, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at the spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d. Revenue recognition

The Company derives revenue primarily from rendering of services and sale of goods.

Revenue is recognised on the basis of approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Performance obligations

For each contract, the promised services (called performance obligations) are distinct only if the client can benefit from the services on its own and if the Company's promise to transfer these services is separately identifiable from other promises in the contract.

Revenue comprises of and is accounted as under -

(i) Revenue from the sale of goods is recognised when delivery has taken place and control of the goods has been transferred to the customer, and when there are no longer any unfulfilled obligations. The customer obtains control of the goods when the goods are delivered to and accepted by the customer, according to the agreed delivery terms.

(ii) Revenue from rendering of services is recognised when the performance of agreed contractual task has been completed.

(iii) Revenue from radar integration activity will be recognised when delivery has taken place at customer port.

Goods contributed by the customer

If any customer contributes goods or services (for example, materials, equipment or labour) to facilitate Company's fulfilment of the contract, an assessment is made whether the Company has obtained 'Control' of those contributed goods or services. If so, the Company recognises for the contributed goods or services as non-cash consideration received from the customer and consequently recognise property, plant and equipment as well.

'Control' of an asset is deemed to be existing when there is:

- the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways, such as by:

(a) using the asset to produce goods or provide services (including public services);
(b) using the asset to enhance the value of other assets;
(c) using the asset to settle liabilities or reduce expenses;
(d) selling or exchanging the asset;
(e) pledging the asset to secure a loan; and
(f) holding the asset.

Interest Income

Interest Income from a Financial Assets is recognised using effective interest rate method.

e. Taxes

Current income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

Company enjoys income tax exemption for a period of 10 years under Section 10AA of the Income Tax Act, 1961 for its Units Nagpur registered under Special Economic Zone of India. Accordingly, provision for tax for these Units are calculated as per the provisions of Section 10AA of the Income Tax Act 1961, as amended from time to time.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

Property, plant and equipment and capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation methods, estimated useful lives and residual value:

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful lives to provide depreciation on its fixed assets.

Category of assets	Estimated useful life
Computers and equipment	3 years
Furniture and	10 years
Office equipment	5 years
Temporary Structure	3 years

Leasehold land are amortised on a straight line basis over the period of lease.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

h. Leases

Company as a lessee

The Company's lease asset consist of lease for land. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

Right of use assets 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 Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:
a) Financial assets that are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
b) Available for sale financial assets
c) Lease receivables under Ind AS 116
d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on:
- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 116

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 its initial recognition.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, book overdrafts and derivative financial instruments.

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated 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 recognized in OCI. These gains/ loss are not subsequently transferred to P&L. 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 and

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 or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

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

m. Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

n. Segment reporting

Ind AS 108 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about services, geographical areas and major customers. The Company's operation pre dominantly relate to air borne radar systems and electronic warfare system for aircraft. Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on analysis of various performance indicators by business segments and geographic segments. Accordingly, information has been presented. As the Company is involved in a single business of air borne radar systems and electronic warfare system for aircraft, so there is a single business segment.

o. Earning per share

Basic earnings per share is computed by dividing the net profit attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

p. Inventories

Inventories are valued at the lower of cost (on FIFO) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges.

Work-in-progress and finished goods valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads.

Service work-in-progress consists of cost incurred in respect of job activities, which are incomplete as at the balance sheet date and is valued at lower of cost incurred upto stage of completion and net realisable value. Cost comprises Company incurred own as well as third party cost of labour and services.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Transition
Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings, on the date of initial application. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted at the lessee's incremental borrowing rate at the date of initial application. Comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted.

Customer furnished assets used exclusively to fulfil the sales contract
The contracts involving customer furnished assets are evaluated to identify the existence of leases. The leases in such cases are recognised if:
(i)the assets are identified ones
(ii)the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
(iii)the Company has the right to direct how and for what purpose the identified asset is used throughout the period of use

In other cases, assuming the conditions (i) and (ii) above are also satisfied, lease is recognised where the relevant decisions about how and for what purpose the asset is used are predetermined and:
(i) the Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the customer having the right to change those operating instructions; or

(ii) the Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use

In assessing the control transferred through the rights to use the asset, the Company evaluates the following criteria:
(i) Linked contracts — The right to use the asset is directly linked to the revenue arrangement. That is, the arrangement is executed as part of one contract or eac part of two or more contracts is deemed to be combined and accounted for as a single transaction since the contracts are interdependent.
(ii) Coterminous period — Some or all of the period of use of the asset is coterminous with the revenue arrangement. As discussed further below, if the period of u for the asset begins before or ends after the revenue arrangement, this condition would only be satisfied (and therefore net treatment would only be appropriate) for the overlapping period.

(iii) Restricted use — During the coterminous period identified in criterion 2, the vendor's use of the asset is either restricted contractually or limited practically solely transferring the goods or services promised in the revenue arrangement, including restricting the vendor from assigning or transferring the rights of the asset without the customer's consent.

When the above three criteria are met, the substance of the transaction is that there are no leases (i.e. neither inbound nor outbound) and the accounting is done on a net basis (i.e., there are no separate accounting effects related to the customer-furnished assets).

i. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets.
When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

j. Provisions and contingent liabilities

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

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.

k. Employee benefits

Gratuity
In accordance with Indian law, the Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement or on termination of employment for an amount based on the respective employee's salary and the years of employment with the Company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method based on an actuarial valuation performed by an independent actuary.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements; and
- Net interest expense or income

Compensated absences

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as undiscounted liability at the balance sheet date. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the balance sheet date. The Company recognised compensated absence liability as current liability.

Provident fund

In Accordance with Indian Law, all eligible employees of the Company are entitled to receive benefits under the Provident fund plan in which both the employees and employer (at a defined rate). The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company makes annual contributions based on a specified percentage of each eligible employee's salary.

I. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:
a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
b) The asset's contractual cash flows represent solely payment of principal and interest (SPPI).

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

Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.
In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.
Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:
- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(All amounts in Hundred INR unless stated otherwise)

3 Property, plant and equipment

	Leasehold land	Temporary structure	Office equipment	Furniture and fixtures	Computer and equipments	Total
Gross block						
Balance as at March 1, 2018	-	-	-	-	-	-
Additions	4,55,970.29	-	-	-	-	4,55,970.29
Deletions	-	-	-	-	-	-
Balance as at March 31, 2019	4,55,970.29	-	-	-	-	4,55,970.29
Additions	-	1,036.00	15,477.24	38,669.58	11,469.14	66,651.96
Deletions	-	-	-	-	-	-
Balance as at March 31, 2020	**4,55,970.29**	**1,036.00**	**15,477.24**	**38,669.58**	**11,469.14**	**5,22,622.25**
Depreciation						-
Balance as at March 1, 2018	-	-	-	-	-	-
Charge for the year	6,019.21	-	-	-	-	6,019.21
Disposals	-	-	-	-	-	-
Balance as at March 31, 2019	**6,019.21**	-	-	-	-	6,019.21
Charge for the year	15,210.80	287.62	482.87	822.38	2,013.00	18,816.67
Disposals	-	-	-	-		-
Balance as at March 31, 2020	**21,230.01**	**287.62**	**482.87**	**822.38**	**2,013.00**	**24,835.88**
Net book value						
Balance as at March 31, 2019	**4,49,951.08**	-	-	-	-	**4,49,951.08**
Balance as at March 31, 2020	**4,34,740.28**	**748.38**	**14,994.37**	**37,847.20**	**9,456.14**	**4,97,786.37**

3 Capital work in progress

Balance as at March 1, 2018	-
Additions	1,52,917.25
Balance as at March 31, 2019	1,52,917.25
Additions	30,14,067.85
Deletions	-
Balance as at March 31, 2020	**31,66,985.10**

(All amounts in Hundred INR unless stated otherwise)

	As at March 31, 2020	As at March 31, 2019
4 Other financial assets		
(unsecured, considered good, unless otherwise stated)		
I. Non-Current		
a. Security deposits	13,365.07	1,898.01
	13,365.07	**1,898.01**
II. Current		
a. Security deposits	-	4,948.87
b. Interest accrued receivable	1,347.58	2,910.72
	1,347.58	**7,859.59**

5 Deferred tax assets (net)

Deferred tax assets / (liabilities)

	As at March 31, 2019	Recognised in statement of profit or loss	Recognised in other comprehensive income	As at March 31, 2020
2019-20				
Deferred tax (liabilities) / assets in relation to				
Property, plant and equipment	-	(1,198.48)	-	(1,198.48)
Employee benefit obligation	-	5,347.60	228.64	5,576.24
Carried forward business loss	-	1,29,713.47	-	1,29,713.47
	-	**1,33,862.59**	**228.64**	**1,34,091.23**

Note:
A new section 115BAA has been inserted in the Income Tax Act with effect from financial year 2019-20 which allows any domestic Company an option to pay income-tax at the rate of 22% subject to the condition that the Company will not avail certain exemptions/incentives, deductions and allowances (including additional depreciation). Further, no carry forward of tax losses as attributable to exemptions/incentives, deductions and allowances claimed in the previous years will be allowed to be set off against the taxable Income. Also, such companies shall not be required to pay Minimum Alternate Tax (MAT).
The Company has decided not to opt for the concessional tax regime now and will continue to comply with old tax regime.

	As at March 31, 2020	As at March 31, 2019
6 Income tax assets		
Income tax assets (net)	498.62	-
	498.62	**-**
7 Other assets		
(unsecured, considered good, unless otherwise stated)		
I. Non-Current		
a. Advance to employees	-	240.00
b. Capital advance	7,047.03	40,091.45
c. Advance to vendors	9,90,309.80	-
	9,97,356.83	**40,331.45**
II. Current		
a. Advance to employees	50.00	95.06
b. Advance to vendors	16,59,660.84	78,407.07
c. Prepaid expenses	45,132.94	-
	17,04,843.78	**78,502.13**
8 Inventories		
a. Raw material	59,391.13	-
b Service work in progress	4,59,169.68	-
b. Finished goods	2,64,511.50	-
	7,83,072.31	**-**

(All amounts in Hundred INR unless stated otherwise)

	As at March 31, 2020	As at March 31, 2019
9 Trade receivables		
Trade receivables		
Unsecured, considered good	16,892.76	-
	16,892.76	**-**
Notes:		
i. Trade receivables are non-interest bearing and are on terms of 30 days.		
ii. No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person.		
iii. Receivables from related parties (refer note 35)	16,892.76	-
10 Cash and cash equivalents		
a. Cash in hand	73.80	-
b. Balances with banks in Current Account	15,17,352.97	2,35,897.73
c. Deposit with original maturity of less than three months	8,30,000.00	13,00,000.00
	23,47,426.77	**15,35,897.73**

(All amounts in Hundred INR unless stated otherwise)

11 Equity share capital

	As at March 31, 2020		As At March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Authorised				
Equity shares of Rs. 100 each	37,82,000	37,82,000.00	37,82,000	37,82,000.00
	37,82,000	**37,82,000.00**	**37,82,000**	**37,82,000.00**
Issued, subscribed and fully paid up				
Equity Shares of Rs. 100 each	28,57,400	28,57,400.00	1,01,000	1,01,000.00
Total	**28,57,400**	**28,57,400.00**	**1,01,000**	**1,01,000.00**

a. Movement in equity share capital

	As at March 31, 2020		As At March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
Equity Shares				
Balance as at the beginning of the period	1,01,000	1,01,000.00	-	-
Add: Issued during the period	27,56,400	27,56,400.00	1,01,000	1,01,000.00
Balance as at the end of the period	**28,57,400**	**28,57,400.00**	**1,01,000**	**1,01,000.00**

b. Terms/Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The Company declares and pay dividend in Indian Rupees. The dividend proposed by the Board of Directors is subjected to the approval of Shareholders in the ensuing Annual General Meeting.

c. Shares held by Holding Company

	As at March 31, 2020	As At March 31, 2019
	No. of Shares	No. of Shares
Reliance Aerostructure Limited and its nominees	14,57,274	51,510

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

Name of shareholder	As at March 31, 2020		As At March 31, 2019	
	No. of Shares	% held	No. of Shares	% held
Reliance Aerostructure Limited and its nominees	14,57,274	51.00%	51,510	50.98%
Thales India Private Limited	14,00,126	49.00%	49,490	48.98%

e. During the current year, the Company has allotted 422,740 fully paid up equity shares to its holding Company (Reliance Aerostructure Limited) pursuant to contract without consideration being received in cash. As non-cash consideration, the holding company has provided a leasehold land to the Company.

12 Other equity

	As at March 31, 2020	As At March 31, 2019
a. Retained earnings	(10,18,056.94)	(5,99,597.40)
b. Other comprehensive income	(650.76)	-
	(10,18,707.70)	**(5,99,597.40)**
Retained earnings		
Balance at the beginning of period	(5,99,597.40)	-
Loss for the period	(4,18,459.54)	(5,99,597.40)
Balance as at the end of the period	(10,18,056.94)	(5,99,597.40)
Other comprehensive income		
Balance at the beginning of period	-	-
Remeasurements of net defined benefit plans	(650.76)	-
Balance as at the end of the period	(650.76)	-

(All amounts in Hundred INR unless stated otherwise)

	As at March 31, 2020	As At March 31, 2019
13 Provisions		
I. Non-current		
Provision for employee benefits		
a. Compensated absences	14,579.03	678.98
b. Gratuity (refer note 28 (b))	3,332.79	-
	17,911.82	**678.98**
II. Current		
Provision for employee benefits		
a. Compensated absences	3,535.27	40.13
	3,535.27	**40.13**
14 Income tax liabilities (net)		
a. Tax payable	-	576.01
	-	**576.01**
15 Other non-current liabilities		
a. Advance from customers	24,04,437.05	19,67,700.40
	24,04,437.05	**19,67,700.40**
16 Trade payables		
Trade payables (refer note 33)		
a. Total outstanding dues of micro enterprises and small enterprises	-	-
b. Total outstanding dues of other than micro enterprises and small enterprises	11,48,518.00	2,94,766.20
	11,48,518.00	**2,94,766.20**
17 Other financial liabilities		
a. Payable to creditors for capital goods	4,41,671.07	-
	4,41,671.07	-
18 Other current liabilities		
a. Statutory dues	1,23,970.62	64,906.46
b. Employee payables	32,108.94	14,546.46
c. Advance from customers	36,52,821.35	-
	38,08,900.91	**79,452.92**

(All amounts in Hundred INR unless stated otherwise)

		For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
19	**Revenue from operations**		
	Sale of goods	15,11,526.05	-
	Sale of services	8,16,314.73	-
		23,27,840.78	-
20	**Other income**		
	Interest income from other financial assets at amortised cost		
	- Fixed deposits with banks	4,904.58	18,945.80
	Gain on foreign exchange fluctuations (net)	1,41,459.75	-
		1,46,364.33	**18,945.80**
21	**Changes in inventories of service work in progress and finished goods**		
	Opening balance of service work in progress	-	-
	Closing balance of service work in progress	(4,59,169.68)	-
	Changes in inventories of service work in progress	**(4,59,169.68)**	-
	Opening balance of finished goods	-	-
	Closing balance of finished goods	(2,64,511.50)	-
	Changes in inventories of finished goods	**(2,64,511.50)**	-
	Changes in inventories of service work in progress and finished goods	**(7,23,681.18)**	-
22	**Employee benefit expenses**		
	a. Salaries, wages and bonus	4,36,000.53	1,25,029.66
	b. Contribution to provident and other funds (refer note 28(a))	17,238.55	3,669.98
	c. Gratuity (refer note 28(b))	2,453.39	-
	d. Staff welfare expenses	9,226.14	-
		4,64,918.61	**1,28,699.64**
23	**Other expenses**		
	a. Communication expenses	2,510.28	1,209.64
	b. Payment to auditors (refer below)	13,847.60	3,500.00
	c. Repair and maintenance	14,765.27	-
	d. Travelling and conveyance	1,41,928.66	71,344.66
	e. Bank charges	558.42	253.71
	f. Rates and taxes	485.63	37,404.97
	g. Power and fuel	6,813.21	-
	h. Business support services	3,97,296.51	3,41,375.39
	i. Legal and professional charges	29,598.89	11,824.50
	j. Loss on foreign exchange fluctuations (net)	-	10,401.24
	k. Printing and stationery	816.10	32.47
	l. Insurance	1,800.17	-
	m. Miscellaneous expenses	342.28	1,551.86
		6,10,763.02	**4,78,898.44**
	Note:		
	1 Payments to auditors		
	(i) Statutory audit fees	10,000.00	3,500.00
	(ii) Limited review fees	3,750.00	-
	(iii) Out of pocket expenses	97.60	-
		13,847.60	3,500.00

(All amounts in Hundred INR unless stated otherwise)

	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
24 Income taxes		
Current tax		
For current period	-	4,925.91
	-	**4,925.91**
Deferred tax		
In respect of the current year	(1,33,862.59)	-
	(1,33,862.59)	-
Income tax expense recognised in the statement of profit and loss	**(1,33,862.59)**	**4,925.91**
Other comprehensive income section		
Income tax relating to items that will not be reclassified to profit or loss	(228.64)	-
Reconciliation of tax expense and the accounting profit multiplied by prevailing income tax rate		
Loss before tax	(5,52,322.13)	(5,94,671.49)
Income tax rate	26.00%	26.00%
Calculated income tax expense	(1,43,603.75)	(1,54,614.59)
Non creation of deferred tax	-	1,59,540.50
Others	9,741.17	-
Income tax expense	**(1,33,862.58)**	**4,925.91**

25 Earning per share

	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
a. Basic earnings per share	(34.83)	(1,160.59)
b. Diluted earnings per share	(34.83)	(1,160.59)
i. The earnings and weighted number of equity shares used in the calculation of basic earnings per share are as follows:		
Net profit attributable to the shareholders	(4,18,459.54)	(5,99,597.40)
Weighted average number of outstanding equity shares during the period	12,01,265	51,663
Basic earning per share	(34.83)	(1,160.59)
Diluted earning per share	(34.83)	(1,160.59)

(All amounts in Hundred INR unless stated otherwise)

26 Segment information

The Company is engaged in the business of assembly of radar and electronic warfare systems, which in the context of Ind AS 108, is considered as the only business segment. Hence, the reporting requirements for segment disclosure as prescribed by Ind AS 108 are not applicable.

27 Commitments and contingencies

a. The estimated amount of contracts remaining to be executed on capital amounts and not provided for (net of advances) are Hundred INR 2,85,688.21, previous year- Nil.

b. The Company has other commitments, for purchase of goods and services and employee benefits, in normal course of business. The Company does not have any long term commitments/contracts for which there will be any material foreseeable losses.

c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

d. The Company does not have any pending litigations which would impact its financial position in its financial statements. There are no contingent liabilities.

28 Employee benefit plans

a. Defined contribution plans

The Company makes Provident Fund contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes. Employer's contribution to provident fund scheme recognised as expense in the Statement of Profit and Loss for the period are as under:

	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
Contribution to provident fund (refer note 22)	17,238.55	3,669.98
	17,238.55	**3,669.98**

b. Defined benefit plan
Gratuity

The Company has a defined benefit gratuity plan. Employee who have completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme of gratuity is unfunded.

In respect of the plan in India, the most recent valuation of the present value of defined benefit obligation were carried as at March 31, 2020 in which the present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

The following tables summaries the expense recognised in the statement of profit or loss and amounts recognised in the balance sheet :

(i) Change in defined benefit obligations (DBO)

Particulars	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
	Hundred INR	Hundred INR
Present value of defined benefit obligation at the beginning of the year	-	-
Current service cost	2,453.39	-
Interest cost	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gains)/losses on defined benefit obligation	879.40	-
Present value of defined benefit obligation at year end	3,332.79	-

Current portion of DBO	-	-
Non-current portion of DBO	3,332.79	-

(All amounts in Hundred INR unless stated otherwise)

(ii) Net employee benefit expense in respect of Gratuity (recognised in employee benefits expense):

Particulars	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
	Hundred INR	Hundred INR
Service cost	2,453.39	-
Interest cost	-	-
Expenses recognized in the Statement of Profit and Loss	2,453.39	-

(iii) Net employee benefit expense in respect of Gratuity (recognised in other comprehensive income):

Particulars	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
	Hundred INR	Hundred INR
Actuarial (gain) / loss for the year on PBO	879.40	-
Actuarial (gain) / loss for the year on asset	-	-

(iv) Actuarial gain or losses:

Particulars	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
	Hundred INR	Hundred INR
Actuarial (gain) / loss from change in demographic assumptions	-	-
Actuarial (gain) / loss from change in financial assumptions	389.04	-
Actuarial (gain) / loss from change in experience adjustment	490.36	-

(v) Actuarial assumptions

Particulars	As at March 31, 2020	As at March 31, 2019
	Hundred INR	Hundred INR
Discount rate (%)	6.80%	0.00%
Rate of increase in compensation levels (%)	9.75%	0.00%

(vi) Sensitivity analysis of the defined benefit obligation at the year end

Impact of change in closing defined benefit obligation	As at March 31, 2020		As at March 31, 2019	
	Discount rate	Salary increment	Discount rate	Salary increment
Impact due to increase of 0.5%	3,048.98	3,638.86	-	-
Impact due to decrease of 0.5%	3,649.30	3,055.01	-	-

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by one percentage, keeping all other actuarial assumptions constant.

(vii) Maturity profile of defined benefit obligation

Period	As at March 31, 2020	As at March 31, 2019
Within 1 year	3.07	-
Between 1-2 year	3.43	-
Between 2-3 year	3.84	-
Between 3-4 year	96.34	-
Between 4-5 year	128.68	-
Beyond 5 year	13,040.12	-

Note: The Company has obtained actuarial certificate for determining liability for gratuity during the year. Therefore, the amount required to be disclosed in respect of previous years are not available.

29 Foreign currency exposure that are not hedged by derivative instrument or forward contracts amount to:

Particulars	Currency	As at March 31, 2020		As at March 31, 2019	
		In foreign currency	Amount in Hundred INR	In foreign currency	Amount in Hundred INR
Trade Receivables	EURO	20,341	16,893	-	-
Trade Payables	EURO	1,68,453	1,39,900	-	-

(All amounts in Hundred INR unless stated otherwise)

30 Fair Value Measurements

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Financial instruments by category

		For the year ended March 31, 2020	For the period from March 01, 2018
Financial Assets			
Measured at Fair Value through Profit & Loss		-	-
Measured at amortised cost			
a.	Security Deposits	13,365	6,847
b.	Interest Accrued Receivable	1,348	2,911
c.	Cash and Cash equivalents	23,47,427	15,35,898
d.	Trade receivables	16,892.76	-
		23,79,032.18	**15,45,655.34**
Financial Liabilities			
Measured at amortised cost			
a.	Trade Payables	11,48,518.00	2,94,766.20
b.	Other financial liabilities	4,41,671.07	-
		15,90,189.07	**2,94,766.20**
Measured at fair value through other comprehensive income		Nil	Nil

The Company does not have any assets and liabilities which need to category as 'fair value through profit and loss' and 'fair value through other comprehensive income'

(i) Fair value hierarchy

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

(a) recognised and measured at fair value and

(b) 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 group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table

		For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
Level 3			
a.	Security Deposits	13,365.07	6,846.88
b.	Interest Accrued Receivable	1,347.58	2,910.72
c.	Cash and Cash equivalent	23,47,426.77	15,35,897.73
Total Financial Assets		**23,62,139.42**	**15,45,655.33**
Financial Liabilities			
Level 3			
a.	Trade Payables	11,48,518.00	2,94,766.20
Total Financial Liabilities		**11,48,518.00**	**2,94,766.20**

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

• the use of quoted market prices or dealer quotes for similar instruments

• the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

(All amounts in Hundred INR unless stated otherwise)

31 Financial risk management

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments.

The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

- Create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- Achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

a. 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. The Company is not exposed to any equity price risk.

(i) Exposure to Foreign Currency Risk

Financial Liabilities	**As at March 31, 2020**	**As at March 31, 2019**
Balance with Bank in Foreign Currency (EUR) Account	9,53,400.70	2,02,797.58
Trade receivables	16,892.76	-
Trade Payables	(1,39,899.81)	-
	8,30,393.65	**2,02,797.58**

Profit or loss is sensitive to changes in foreign exchange rates arising from foreign currency denominated financial instruments

INR /EUR- Decrease by 5% *	**(41,519.68)**	**(9,034.63)**
INR /EUR- Increase by 5% *	**41,519.68**	**9,034.63**

* holding all other variables constant

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. As of now, the Company is not exposed to any interest risk.

c. Liquidity Risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per the requirements. The Company has sufficient cash flows to meet its financial obligations as and when they fall due.

Liquidity Risk - Table

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at March 31, 2020	**Less than 1 year**	**Between 1 year and 5**	**Over 5 years**	**Total**
Non-derivatives				
Trade Payables	11,48,518.00	-	-	11,48,518.00
Other financial liabilities	4,41,671.07	-	-	4,41,671.07
Total non-derivatives	**15,90,189.07**	**-**	**-**	**15,90,189.07**

32 Capital Risk Management

The Company considers the following components of its Balance Sheet to be manage capital:
Total equity – share capital, share premium and retained earnings,
The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to our shareholders. The capital structure of the group is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim to translate profitable growth to superior cash generation through efficient capital management.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

(All amounts in Hundred INR unless stated otherwise)

33 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at March 31, 2020	As at March 31, 2019
the principal amount remaining unpaid to any supplier as at the end of year	Nil	Nil
the interest due on above remaining unpaid to any supplier as at the end of year	Nil	Nil
the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during year	Nil	Nil
the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid)	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of accounting year	Nil	Nil
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	Nil	Nil

34 Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There are no such amedments which have been issued having relevance to the financial year beginning April 1, 2020.

35 Related Parties

a. List of related parties

i. Holding Company
Reliance Aerostructure Limited

ii. Entity which exercises significant influence on the Company
Thales India Private Limited

iii. Enterprises under the common control
Reliance Infrastructure Limited
Reliance Defence Limited
Thales DMS France SAS
BEL-Thales Systems Limited
Reliance Transports and Travels Private Limited

iv. Key management personnel

Mr. Prem Chand Jain	Director

(All amounts in Hundred INR unless stated otherwise)

b. Transactions with related parties during the year

Particulars	Holding Company		Enterprises exercising significant influence		Enterprises under the common control		Key management personnel		Total	
	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019	For the year ended March 31, 2020	For the period from March 01, 2018 to March 31, 2019
Transactions during the period										
Issue of Equity Share Capital	**14,05,764.00**	**51,510.00**	**13,50,636.00**	**1,01,000.00**	-	-	-	-	**14,05,764.00**	**51,510.00**
- Reliance Aerostructure Limited	14,05,764.00	51,510.00	-	51,510.00	-	-	-	-	14,05,764.00	51,510.00
- Thales India Private Limited	-	-	13,50,636.00	49,490.00	-	-	-	-	-	-
Purchase of Property Plant and Equipment	-	**4,22,740.00**	-	-	-	-	-	-	-	**4,22,740.00**
- Reliance Aerostructure Limited	-	4,22,740.00	-	-	-	-	-	-	-	4,22,740.00
Business/Infra Support Services	-	-	**7,53,192.72**	**2,85,939.31**	**59,725.12**	**55,436.08**	-	-	**59,725.12**	**55,436.08**
- Reliance Defence Limited	-	-	-	-	59,725.12	55,436.08	-	-	59,725.12	55,436.08
- Thales India Private Limited	-	-	7,53,192.72	2,85,939.31	-	-	-	-	-	-
Reimbursement of salary	-	-	**2,68,316.71**	-	-	-	-	-	-	-
- Thales India Private Limited	-	-	2,68,316.71	-	-	-	-	-	-	-
Travelling expense	-	-	-	-	**24,078.72**	**16,111.60**	-	-	**24,078.72**	**16,111.60**
- Reliance Transport & Travels Limited	-	-	-	-	24,078.72	16,111.60	-	-	24,078.72	16,111.60
Cost of Material & Services consumed	-	-	-	-	**6,92,102.11**	-	-	-	**6,92,102.11**	-
-BEL-THALES Systems Limited	-	-	-	-	6,92,102.11	-	-	-	6,92,102.11	-
Sale of goods	-	-	-	-	**15,11,526.05**	-	-	-	**15,11,526.05**	-
- Thales DMS France SAS	-	-	-	-	15,11,526.05	-	-	-	15,11,526.05	-
Sale of services	-	-	-	-	**8,16,314.73**	-	-	-	**8,16,314.73**	-
- Thales DMS France SAS	-	-	-	-	8,16,314.73	-	-	-	8,16,314.73	-
Reimbursement of expenses paid by the Company on behalf of	-	-	-	-	**4,119.89**	-	-	-	**4,119.89**	-
- Reliance Defence Limited	-	-	-	-	4,119.89	-	-	-	4,119.89	-
Reimbursement of expenses incurred on behalf of the Company	-	-	-	-	**9,116.50**	**34,502.00**	-	-	-	**16,889.56**
- Reliance Defence Limited	-	-	-	-	9,116.50	34,502.00	-	-	-	16,889.56
Managerial remuneration	-	-	-	-	-	-	**51,402.75**	**31,709.84**	**51,402.75**	**31,709.84**
-Mr. Prem Chand Jain	-	-	-	-	-	-	51,402.75	31,709.84	51,402.75	31,709.84

(All amounts in Hundred INR unless stated otherwise)

c. Balances outstanding with related parties

Particulars	Holding Company		Enterprises exercising significant influence		Enterprises under the common control		Key management personnel		Total	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Trade Receivable	-	-	-	-	**16,892.76**	-	-	-	**16,892.76**	-
- Thales DMS France SAS	-	-	-	-	16,892.76	-	-	-	16,892.76	-
Trade Payables	-	-	**9,73,802.07**	**1,22,131.53**	**11,947.17**	-	-	-	**11,947.17**	-
- Reliance Defence Limited	-	-	-	-	11,647.17	-	-	-	11,647.17	-
- Thales India Private Limited	-	-	9,73,802.07	1,22,131.53	-	-	-	-	-	-
- Reliance Transport & Travels Limited	-	-	-	-	300.00	-	-	-	300.00	-
Share based amount pending allotment	-	**4,22,740.00**	-	**4,22,740.00**	-	-	-	-	-	**8,45,480.00**
- Reliance Aerostructure Limited	-	4,22,740.00	-	4,22,740.00	-	-	-	-	-	8,45,480.00
Advance to vendors	-	-	-	-	**25,35,005.00**	**10,570.67**	-	-	**25,35,005.00**	**10,570.67**
-BEL-THALES Systems Limited	-	-	-	-	25,35,005.00	10,570.67	-	-	25,35,005.00	10,570.67
Advance from customer	-	-	-	-	**60,57,258.40**	**19,67,700.40**	-	-	**60,57,258.40**	**19,67,700.40**
- Thales DMS France SAS	-	-	-	-	60,57,258.40	19,67,700.40	-	-	60,57,258.40	19,67,700.40
Other Current liabilities	-	-	-	-	-	-	-	**6,889.04**	-	**6,889.04**
-Mr. Prem Chand Jain	-	-	-	-	-	-	-	6,889.04	-	6,889.04

(All amounts in Hundred INR unless stated otherwise)

36 Going Concern

The Company has incurred net loss (profit before tax) of Hundred INR 552,322.13 (Previous period: Hundred INR 594,671.49) during the year which is largely related to initial operations of the Company. Pursuant to committed level of business to be undertaken in next year, these financial statements have been prepared on a going concern basis.

37 Transfer pricing

The Company is in the process of completing the transfer pricing study, as required by the Income Tax Act, 1961, for the transactions undertaken with related parties for the year ended March 31, 2020. These financial statements have been prepared based on agreed rates with such related parties. Any adjustment that may arise on completion of the transfer pricing study for the year ended March 31, 2020, which in the opinion of the management is not expected to be material, will be incorporated in the books of account of the subsequent period.

38 There are no events observed after the reported period which requires an adjustment or disclosure in the financial statements.

39 During the year, the Company has received Specific Tools and Test equipment (STTE) from the customer having a custom assessed value of Hundred INR 1,77,58,834.18. These STTE are provided to the Company free of cost and are necessary to perform the manufacturing activities. The key agreement terms with respect to these customer furnished assets are:

- Transfer of title in the STTE shall be deemed to be transferred to the Company upon remittance of such STTE to the first carrier in France as evidenced by the issuance of the transport department (Airway bill or bill or lading).
- The transfer of risk of damage or loss to the STTE shall pass to the Company upon unloading of such STTE at the Nagpur Delivery at Port against signature by Company of any document presented by the customer's transporter.
- Transfer of title to the STTE shall not be construed as a transfer of title to any intellectual property rights (IPR)
- The customer reserves the right at any time to demand STTE from the Company. If such demand is made before offset credit claim by the customer, the re-dispatch and delivery of STTE will be carried out at Nil price and at the cost of customer. If demand is made after offset claim by customer then re-dispatch and delivery of STTE will be made at fair value. In case of disagreement as to the fair value, it will be sent to an independent valuer
- The warranty period for the STTE shall be 12 months from the date of Certificate of Completion of Commissioning.
- Upon expiry or termination of cooperation agreement between the customer and the Company, the Company shall immediately and without further notice cease any use of STTE and;

  (a) If no claim for offset credits has already been made by the customer, the Company shall return and deliver with the corresponding transfer of title, the STTE to the customer at Nil price and at the cost of the customer, immediately upon simple request made by the customer

  (b) If a claim for offset credits has already been made by the customer, the Company shall return and deliver with the corresponding transfer of title, the STTE to any third party designated by the customer, subject to prior necessary regulatory/governmental approvals enabling such a transfer. Such a transfer shall be made at the fair value to be agreed between the parties, or by an Independent valuer in case of disagreement between the parties.

As per the accounting policy adopted by the Company basis the guidance contained in Ind AS 115 and Ind AS 116, the control was found non-existent vis a vis the customer furnished STTE. The non-existence of control was concluded both in case of evaluation pursuant to whether or not a non-cash consideration has been received from the customer warranting a recognition of Property, Plant and Equipment and also for whether or not the recognition of lease was identified. Therefore, in the absence of control, the non-cash consideration or lease has not been recognised.

40 As per the Co-operation agreement executed with the Customer, the Company has also been provided with the Kit Supplies free of cost having a custom assessed value of Hundred INR 66,46,340.77 which shall be used to put into the assembly process covering the activity related to integration of radars.

41 Coronavirus (Covid-19) impact assessment

The COVID -19 pandemic is rapidly spreading throughout the world. The Company's factory premises and offices are under nationwide lockdown since March 24, 2020. As a result of lockdown the revenue volume which was otherwise expected for the month of March 2020 has been impacted. In assessing the recoverability of receivables, the Company has considered internal and external information upto the date of approval of these financial statements. The Company expects to recover the carrying amount of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Company will continue to closely monitor any material changes to future economic conditions.

42 The Company was incorporated on March 1, 2018. The comparative statement of profit and loss was thus prepared for the period from March 1, 2018 to March 31, 2019 and accordingly, the comparatives figures are not strictly comparable.

For S.N. Dhawan & Co LLP
Chartered Accountants
Firm Registration No. 000050N / N500045

Pankaj Walia
Partner
Membership No. 509590

Place : New Delhi
Date: May 01,2020

For and on behalf of the Board of Directors of
Thales Reliance Defence Systems Limited

Rajesh K Dhingra
Director
DIN : 03612092

Place : New Delhi
Date: May 01,2020

Prem Chand Jain
Director
DIN :06664784

Place : New Delhi
Date: May 01,2020