Independent Auditor's Report

To the Members of
Sona BLW Precision Forgings Limited

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

1. We have audited the accompanying standalone financial statements of Sona BLW Precision Forgings Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 ('Ind AS') specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2022, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone 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 ('ICAI') together with the ethical requirements that are relevant to our audit of the 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 Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Merger

4. We draw attention to Note 49 to the accompanying standalone financial statements in respect of Scheme of Amalgamation (the 'Scheme') of the Company and its wholly owned subsidiary, namely, Comstar Automotive Technologies Private Limited (referred to as 'transferor company') as further detailed in the said note. Pursuant to the Scheme being approved by the Hon'ble National Company Law Tribunal vide its order dated 7th January 2022, the comparative financial information for the year ended 31st March 2021 have been restated in the accompanying financial statements as if the common control business combination had occurred from the date the transferor company and the Company came under common control, in accordance with Appendix C to Ind AS 103, Business Combinations, as stipulated by the Scheme.

   Our opinion is not modified in respect of the above matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and brands having indefinite useful life (together 'intangibles') As detailed in Note 46 to the standalone financial statements, the Company carries goodwill amounting to ₹ 1,582.24 million and brands amounting to ₹ 687.40 million in its standalone balance sheet as at 31st March 2022. The goodwill (related to Comstar) was recorded pursuant to scheme of amalgamation being approved by the Hon'ble National Company Law Tribunal vide its order dated 7th January 2022 post which the Company and its wholly owned subsidiary Comstar Automotive Technologies Private Limited were merged.	Our audit procedures included: a) Obtained an understanding from the management with respect to its impairment assessment process, assumptions used and estimates made by the management and tested the operating effectiveness of controls related to aforementioned annual impairment assessment; b) Obtained the impairment analysis carried out by the management and reviewed their conclusions;

Key audit matter	How our audit addressed the key audit matter
The brands were recognised pursuant to Company acquiring SONA Intellectual property rights and all intellectual property rights thereto from SONA Management Services Limited. In terms with Indian Accounting Standard 36, Impairment of Assets, Goodwill and indefinite lived assets are tested for impairment annually by the management at the CGU level, whereby the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU. Impairment assessment requires significant estimations and judgement with respect to inputs used and assumptions made to prepare the forecasted financial information, used to determine the recoverable amount, using discounted cash flow model ('Model'). Key assumptions used in management's assessment of the carrying amount of goodwill and indefinite life intangible assets includes the expected growth rates, estimates of future financial performance, market conditions and discount rates, among others. The management has concluded that the recoverable amount of the CGU is higher than its carrying amount and accordingly, no impairment provision has been recorded as at 31st March 2022. Considering the materiality of the amount involved and significant degree of judgement and subjectivity involved in the estimates and assumptions used in determining the cash flows used in the impairment evaluation, we have determined impairment of such intangibles as a key audit matter for the current year audit.	c) Tested the inputs used in the discounted cash flow model ('Model') by examining the underlying data and validating the future projections by comparing past projections with actual results, including discussions with management relating to these projections; d) Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied. Tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; e) Engaged our valuation specialists to assess the appropriateness of the significant assumptions used in the Model used by the management and reasonableness of assumptions made by the management, which included comparing the underlying parameters of the discount and long-term growth rates; f) We evaluated the inputs used by the management with respect to revenue and cost growth trends, among others, for reasonableness thereof; g) Performed sensitivity analysis on these key assumptions to assess potential impact of downside in the underlying cash flow forecasts and assessed the possible mitigating actions identified by management; and h) Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the standalone financial statements.
Impairment testing of definite life intangible assets As detailed in Note 4 and Note 46 to the standalone financial statement the Company has intangible assets amounting ₹ 960.89 million as at 31st March 2022 of which ₹ 308.74 million are in the nature of technology development expenditure relating to development of electric starter motor and hybrid starter motor technology. In terms with Indian Accounting Standard 36, Impairment of Assets, the management has carried out an impairment analysis of aforementioned intangible assets, which requires significant estimations and judgement with respect to inputs used and assumptions made to prepare the forecasted financial information, used to determine the fair value of such intangibles, using discounted cash flow model ('Model'). Key assumptions used in management's assessment of the recoverable amounts include projection of future cash flows, revenue growth rates, estimated future operating capital expenditure, external market conditions and discount rates, among others.	Our procedures included, but were not limited to the following: a) Obtained an understanding from the management with respect to its impairment assessment process, assumptions used and estimates made by the management and tested the operating effectiveness of controls related to impairment of technology development expenditure; b) Obtained impairment analysis carried out by the management and reviewed their conclusions; c) Tested the inputs used in the discounted cash flow model ('Model') by examining the underlying data and validating the future projections by comparing past projections with actual results, including discussions with management relating to these projections; d) Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied. Tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate;

Key audit matter	How our audit addressed the key audit matter
Considering the materiality of the amounts involved and significant degree of judgement required in assessment of the impairment of technology development expenditure and subjectivity involved in the estimates and assumptions, this matter has been identified as a key audit matter for the current year's audit.	e) Assessed the reasonableness of the key assumptions used and appropriateness of valuation methodology applied. Tested cash flow forecasts and impact of macro-economic factors on the forecasts, future sales projections, discount rates, growth rate; f) Engaged our valuation specialists to assess the appropriateness of the significant assumptions used in the Model used by the management and reasonableness of assumptions made by the management, which included comparing the underlying parameters of the discount and long-term growth rates; g) Performed sensitivity analysis on these key assumptions to assess potential impact of downside in the underlying cash flow forecasts and assessed the possible mitigating actions identified by management; and h) Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the standalone financial statements.

Information other than the Financial Statements and Auditor's Report thereon

7. The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Report on Corporate Governance, Directors' Report, but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

   In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with Governance for the Standalone Financial Statements

8. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS specified under Section 133 of the Act and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the Board of Directors are 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 the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing 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 financial statements.

12. As part of an audit in accordance with Standards on Auditing, specified under Section 143(10) of the Act we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the 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 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 with reference to financial statements 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 Board of Directors' 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

13. 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.

14. 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.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

16. As required by Section 197(16) of the Act based on our audit, we report that the Company has paid and provided remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.

17. As required by the Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

18. Further to our comments in Annexure I, as required by Section 143(3) of the Act based on our audit, we report, to the extent applicable, 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 purpose of our audit of the accompanying standalone financial statements;

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 standalone financial statements dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;

e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2022 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company as on 31st March 2022 and the operating effectiveness of such controls, refer to our separate Report in Annexure II wherein we have expressed an unmodified opinion; and

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

   i. the Company, as detailed in note 39 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31st March 2022;

   ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March 2022;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March 2022;

   iv. a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company to or in any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

   b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

   c) Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

   v. The interim dividend declared and paid by the Company during the year ended 31st March 2022 is in compliance with Section 123 of the Act. As stated in note 34 to the accompanying standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year ended 31st March 2022 which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273
UDIN: 22517273AIKUVE6070

Place: New Delhi
Date: 5th May 2022

Annexure I Independent Auditor's Report

Referred to in Paragraph 17 of the Independent Auditor's Report of even date to the members of Sona BLW Precision Forgings Limited on the standalone financial statements for the year ended 31st March 2022

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

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

(B) The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a regular program of physical verification of its property, plant and equipment and right of use assets under which the assets are physically verified in a phased manner over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain property, plant and equipment and right of use assets were verified during the year and no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties held by the Company are held in the name of the Company. In respect of immovable properties in the nature of land that have been taken on lease and disclosed under the head Right-Of-Use assets in the financial statements, the lease agreements for such leasehold land identify the Company as lessee. Further, the title deeds of a freehold land located at Gurgaon with a carrying value of ₹ 13.10 million included in Property, plant and equipment, and a leasehold land located at Pune with a carrying value of ₹ 13.20 Million included in Right-of-Use assets, have been pledged as security (mortgage and charge) against the financing facility taken from Banks, which have been confirmed by the Trustee of the bank to be in the name of the Company.

(d) The Company has not revalued its Property, Plant and Equipment and Right of Use assets or intangible assets during the year.

(e) No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder. Accordingly, reporting under clause 3(i)(e) of the Order is not applicable to the Company.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for inventory lying with third parties and goods-in -transit. In our opinion, the coverage and procedure of such verification by the management is appropriate and no discrepancies of 10% or more in the aggregate for each class of inventory were noticed. In respect of inventory lying with third parties, these have substantially been confirmed by the third parties.

(b) The Company has a working capital limit in excess of ₹ 50 million sanctioned by banks based on the security of current assets. The quarterly statements, in respect of the working capital limits have been filed by the Company with such banks and such statements are in agreement with the books of account of the Company for the respective periods, except for the following:

Name of the Bank	Working capital limit sanctioned (₹ in million)	Nature of current assets offered as security	Quarter ended	Amount disclosed as per return (₹ in million)	Amount as per books of account (₹ in million)	Difference (₹ in million)	Remarks/reason, if any
HDFC Bank and State Bank of India	1,250	Pari pasu charge on current assets	June 2021	3,931.97	3,965.85	(33.88)	Not applicable since variance is immaterial.
HDFC Bank and State Bank of India	1,250	Pari pasu charge on current assets	September 2021	4,510.03	4,563.44	(53.41)	Not applicable since variance is immaterial.
HDFC Bank and State Bank of India	1,250	Pari pasu charge on current assets	December 2021	4,440.39	4,558.78	(118.39)	Variance is on account of adjustment of bill discounting for a specific debtor.
HDFC Bank and State Bank of India	1,250	Pari pasu charge on current assets	March 2022	8,837.62	8,961.43	(123.81)	Variance is on account of adjustment of bill discounting for a specific debtor.

(iii) (a) The Company has provided loans to others during the year as per details given below:

Particulars	Loans (₹ in million)
Aggregate amount provided during the year: – Others	3.95
Balance outstanding as at balance sheet date in respect of above cases: – Others	2.32

(b) In our opinion, and according to the information and explanations given to us, The investments made, and terms and conditions of the grant of loans are prima facie, not prejudicial to the interest of the Company. Further the Company has not provided any guarantees, advances in the nature of loans or given any security.

(c) In respect of loans granted by the Company, the schedule of repayment of principal has been stipulated and the repayments of principal is regular. Further, no interest is receivable on such loans.

(d) There is no overdue amount in respect of loans granted to such other parties. The Company has not granted any loans to companies, firms or LLPs.

(e) The Company has not granted any loan or advance in the nature of loan which has fallen due during the year. Further, no fresh loans were granted to any party to settle the overdue loans/advances in nature of loan.

(f) The Company has not granted any loans or advances in the nature of loans, which are repayable on demand or without specifying any terms or period of repayment.

(iv) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of investments and guarantees as applicable. There are no loans or securities given by the Company.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there is no amount which has been considered as deemed deposit within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.

(vi) 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 products. Accordingly, reporting under clause 3(vi) of the Order is not applicable.

(vii) (a) In our opinion, and according to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with 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 became payable.

(b) According to the information and explanations given to us, there are no statutory dues referred in sub-clause (a) which have not been deposited with the appropriate authorities on account of any dispute except for the following:

(Amount in ₹ million)

Name of the statute	Nature of dues	Gross Amount (₹)	Amount paid under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demand	4.21	4.21	Assessment Year (AY) 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	3.18	3.18	Assessment Year (AY) 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	2.12	2.12	Assessment Year (AY) 2013-14	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	2.0	–	Assessment Year (AY) 2016-17	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demand	85.88	14.20	Assessment Year (AY) 2017-18	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax Demand	6.01	0.77	Assessment Year (AY) 2018-19	Commissioner of Income Tax (Appeals)/ Assessing officer
Finance Act, 1994	Income Tax Demand	0.47	–	Financial Year 2005-06 to 2007-08	Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	14.85	–	Financial Year 2014-15 to 2017-18	Directorate General of Goods and Services Tax

(viii) According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961) which have not been recorded in the books of account.

(ix) (a) According to the information and explanations given to us, the Company has not defaulted in repayment of its loans or borrowings or in the payment of interest thereon to any lender.

(b) According to the information and explanations given to us including confirmations received from banks and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or other lender.

(c) In our opinion and according to the information and explanations given to us, money raised by way of term loans were applied for the purposes for which these were obtained.

(d) In our opinion and according to the information and explanations given to us, and on an overall examination of the financial statements of the Company, funds raised by the Company on short-term basis have not been utilised for long-term purposes.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.

(f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiaries.

(x) (a) In our opinion and according to the information and explanations given to us, money raised by way of initial public offer were applied for the purposes for which these were obtained.

(b) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or (fully, partially or optionally) convertible debentures during the year. Accordingly, reporting under clause 3(x)(b) of the Order is not applicable to the Company.

(xi) (a) 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 has been noticed or reported during the period covered by our audit.

(b) No report under Section 143(12) of the Act has been filed with the Central Government for the period covered by our audit.

(c) According to the information and explanations given to us including the representation made to us by the management of the Company, there are no whistle-blower complaints received by the Company during the year.

(xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.

(xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under Section 133 of the Act.

(xiv) (a) In our opinion and according to the information and explanations given to us, the Company has an internal audit system as required under Section 138 of the Act which is commensurate with the size and nature of its business.

(b) We have considered the reports issued by the Internal Auditors of the Company till date for the period under audit.

(xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with them and accordingly, provisions of Section 192 of the Act are not applicable to the Company.

(xvi) (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clauses 3(xvi)(a),(b) and (c) of the Order are not applicable to the Company.

(b) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

(xvii) The Company has not incurred any cash loss in the current as well as the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.

(xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the plans of the Board of Directors and management and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.

(xx) (a) According to the information and explanations given to us, there is no unspent amount pertaining to other than ongoing projects as at end of the current financial year. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable to the Company.

(b) The Company has transferred the remaining unspent amount under sub-section (5) of Section 135 of the Act, in respect of ongoing project, within a period of 30 days from the end of financial year to a special account in compliance with the provision of sub-section (6) of Section 135 of the Act,

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273
UDIN: 22517273AIKUVE6070

Place: New Delhi
Date: 5th May 2022

Annexure II Independent Auditor's Report

on the internal financial controls with reference to the standalone financial statements under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Sona BLW Precision Forgings Limited ('the Company') as at and for the year ended 31st March 2022, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and those charged with Governance for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls 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 ("Guidance note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the 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.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

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 Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 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 include 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, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31st March 2022, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273
UDIN: 22517273AIKUVE6070

Place: New Delhi
Date: 5th May 2022

Standalone Balance Sheet

as at 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Note No.	As at 31st March 2022	As at 31st March 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,542.55	3,310.31
Capital work-in-progress	3	1,403.56	821.36
Right-of-use assets	3	1,480.69	1,553.42
Goodwill on merger	4	1,582.24	1,582.24
Other intangible assets	4	4,005.65	4,406.68
Intangible assets under development	4	65.20	10.76
Financial assets			
(i) Investments	5	1,567.15	1,552.25
(ii) Other financial assets	6	63.56	56.54
Income tax assets (net)	7	254.50	406.95
Other non-current assets	8	549.82	296.24
Total non-current assets		**16,514.92**	**13,996.75**
Current assets			
Inventories	9	3,006.75	2,565.03
Financial assets			
(i) Investments	5	58.32	-
(ii) Trade receivables	10	4,374.88	3,986.43
(iii) Cash and cash equivalents	11	202.14	49.15
(iv) Bank balances other than (iii) above	12	192.43	1.21
(v) Other financial assets	6	64.60	151.83
Other current assets	8	642.78	468.70
Total current assets		**8,541.91**	**7,222.35**
Total assets		**25,056.83**	**21,219.10**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	13(A)	5,843.53	5,729.80
Other equity	14	13,888.02	7,879.73
Total equity		**19,731.55**	**13,609.53**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	15 (i)	437.50	1,907.01
(ii) Lease liabilities	43	665.91	688.18
(iii) Other financial liabilities	16	1.74	1.24
Provisions	17	92.74	83.60
Deferred tax liabilities (net)	18	660.63	693.73
Total non-current liabilities		**1,858.52**	**3,373.77**
Current liabilities			
Financial liabilities	15 (ii)	265.76	1,739.51
(i) Borrowings	43	98.04	93.85
(ii) Lease liabilities	19		
(iii) Trade payables			
- Total outstanding dues of micro enterprises and small enterprises		386.98	495.55
- Total outstanding dues of creditors other than micro enterprises and small enterprises		1,472.80	1,448.31
(iv) Other financial liabilities	16	873.11	230.25
Other current liabilities	20	217.74	165.64
Provisions	17	92.12	62.70
Current tax liabilities (net)	21	60.21	-
Total current liabilities		**3,466.76**	**4,235.80**
Total liabilities		**5,325.28**	**7,609.57**
Total equity and liabilities		**25,056.83**	**21,219.10**
The summary of significant accounting policies and other explanatory information form an integral part of these standalone financial statements.	1 to 57		

This is the standalone balance sheet referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Standalone Statement of Profit and Loss

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Note No.	For the year ended 31st March 2022	For the year ended 31st March 2021
Income			
Revenue from operations	22	19,390.49	14,000.44
Other income	23	509.98	368.75
Total income		**19,900.46**	**14,369.19**
Expenses			
Cost of materials consumed		8,648.18	6,161.46
Changes in inventories of finished goods and work-in-progress	24	(294.57)	(636.51)
Employee benefits expense	25	1,600.93	1,399.32
Finance costs	26	172.37	318.01
Depreciation and amortisation expense	27	1,295.35	860.68
Other expenses	28	4,443.19	3,213.74
Total expenses		**15,865.45**	**11,316.70**
Profit before exceptional items and tax		**4,035.01**	**3,052.49**
Exceptional item		(132.70)	139.06
Profit before tax		**4,167.71**	**2,913.43**
Tax expense	30		
- Current tax		796.17	390.04
- Tax related to previous years		(134.62)	–
- Deferred tax (credit)/ charge		(29.23)	363.00
Total tax expense		**632.32**	**753.04**
Profit for the year		**3,535.38**	**2,160.39**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligations		(15.40)	4.70
Income tax relating to above-mentioned item		3.87	(1.19)
Changes in fair values of equity instruments carried at fair value through other comprehensive income		-	(19.00)
Other comprehensive loss for the year		**(11.52)**	**(15.49)**
Total comprehensive income for the year		**3,523.86**	**2,144.90**
The summary of significant accounting policies and other explanatory information form an integral part of these standalone financial statements.	1 to 57		

This is the standalone statement of profit and loss referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Standalone Cash Flow Statement

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	For the year ended 31st March 2022	For the year ended 31st March 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	4,167.71	2,913.43
Adjustments for:		
Depreciation and amortisation expense	1,295.35	860.68
Loss on sale of property plant and equipment (net)	8.75	2.35
(Recovery)/allowance for advances	–	(2.66)
(Recovery)/allowance for doubtful receivables	4.45	(0.97)
Share based payments	66.60	45.37
Unwinding of discount on fair valuation of security deposits	(1.34)	(0.70)
Amortisation of transaction cost based on effective interest rate	10.12	(2.32)
Unwinding of discount on deferred payment liabilities	0.91	1.07
Provision for slow moving inventory	10.61	31.86
Fair value loss/(gain) on derivatives	117.33	(374.23)
Finance costs	168.17	311.70
Dividend income	(312.73)	(346.39)
Interest income	(167.99)	(20.98)
Exceptional Items	–	139.06
Unrealised foreign exchange (gain)/ loss	(73.82)	66.79
Operating profit before working capital changes	**5,294.12**	**3,624.04**
Changes in working capital		
Movement in inventories	(494.06)	(997.69)
Movement in trade receivables	(337.97)	(1,781.37)
Movement in financial asset	62.84	3.34
Movement in other asset	(151.31)	(61.16)
Movement in trade payable	(26.75)	(175.48)
Movement in financial liabilities	(1.20)	922.32
Movement in provision	13.47	46.47
Movement in other liabilities	43.30	58.77
Cash generated from operations	**4,402.44**	**1,639.25**
Direct taxes paid	(448.60)	(427.20)
Net cash flow generated from operating activities – Total (A)	**3,953.84**	**1,212.05**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property, plant and equipment, intangibles and capital work-in-progress including capital advances	(3,427.55)	(2,173.52)
Proceeds from sale of property, plant and equipment	33.93	9.08
Movement in bank balances other than cash and cash equivalents	(191.22)	622.85
Sale of current investment	(58.32)	-
Investment in Subsidiary	(14.89)	(0.10)
Dividend received	312.73	346.39
Interest received	167.99	20.98
Net cash used in from investment activities – Total (B)	**(3,177.34)**	**(1,174.32)**

Standalone Cash Flow Statement

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	For the year ended 31st March 2022	For the year ended 31st March 2021
C. CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / Proceeds from short-term borrowings, net	(891.73)	298.52
Repayment of long-term borrowings	(2,505.67)	(407.96)
Proceeds from long-term borrowings	450.00	717.57
Repayment of deferred payment liabilities	(21.04)	(12.47)
Repayment of lease liabilities	(94.65)	(83.86)
Dividend paid	(449.95)	(904.02)
Net proceeds from issue of equity shares	3,040.75	–
Expense related to capital raising	(59.26)	(139.06)
Fees paid for increase in authorised share capital	–	(20.97)
Interest paid	(91.98)	(233.91)
Net cash used in financing activities – Total (C)	**(623.52)**	**(786.16)**
D. Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)	**152.99**	**(748.43)**
E. Cash and cash equivalents at the beginning of the year	49.15	797.58
F. Cash and cash equivalents at the end of the year (D)+(E)	**202.14**	**49.15**
Reconciliation of cash and cash equivalents as per the cash flow statement (refer note 11)		
Cash and cash equivalents as per above comprise of the following		
Balances in current accounts	146.69	47.65
Cash on hand	0.14	0.10
Cheque on hand	53.17	–
Bank deposits with original maturity of less than three months	2.15	1.39
Balances per statement of cash flows	**202.14**	**49.15**

This is the standalone statement of cash flow referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: New Delhi
Date: 5th May, 2022

Place: Gurugram
Date: 5th May, 2022

Standalone Statement of Changes in Equity

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

A. EQUITY SHARE CAPITAL

	Amount
Balance as at 1st April 2020	**471.54**
Conversion of compulsory convertible preference shares into equity shares	5.94
Bonus shares issued during the year	5,252.32
Balance as at 31st March 2021	**5,729.80**
Equity share issued during the year	113.73
Balance as at 31st March 2022	**5,843.53**

B. INSTRUMENTS ENTIRELY EQUITY IN NATURE

	Amount
Balance as at 1st April 2020	**5.94**
Conversion of compulsory convertible preference shares into equity shares	(5.94)
Balance as at 31st March 2021	**–**
Movement during the year	–
Balance as at 31st March 2022	**–**

C. OTHER EQUITY

	Reserve and Surplus					Equity instruments through other comprehensive income	Merger Reserve (Refer note 49)	Total
	General reserve	Securities premium	Capital redemption reserve	Retained earnings	Employee's stock options reserve			
Balance as at 1st April 2020	**120.00**	**7,881.34**	**25.93**	**3,119.08**	**–**	**(309.28)**	**–**	**10,837.07**
Add: Effect of business combination (Refer note 49)	–	–	–	292.47	–	–	737.23	1,029.70
Balance as at 1st April 2020 (Post business combination)	**120.00**	**7,881.34**	**25.93**	**3,411.55**	**–**	**(309.28)**	**737.23**	**11,866.77**
Net profit for the year	–	–	–	2,160.39	–	–	–	2,160.39
Securities premium utilised on bonus share issue	–	(5,252.32)	–	–	–	–	–	(5,252.32)
Remeasurement of defined benefit obligations (net of tax)	–	–	–	3.51	–	–	–	3.51
Dividend paid	–	–	–	(904.02)	–	–	–	(904.02)
Stamp duty paid for increase in authorised share capital	–	(20.97)	–	–	–	–	–	(20.97)
Employee stock option charge for the year	–	–	–	–	45.37	–	–	45.37
Net changes in fair values of equity instruments carried at fair value through other comprehensive income	–	–	–	–	–	(19.00)	–	(19.00)
Balance as at 31st March 2021	**120.00**	**2,608.05**	**25.93**	**4,671.43**	**45.37**	**(328.28)**	**737.23**	**7,879.73**

Standalone Statement of Changes in Equity

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Reserve and Surplus					Equity instruments through other comprehensive income	Merger Reserve (Refer note 49)	Total
	General reserve	Securities premium	Capital redemption reserve	Retained earnings	Employee's stock options reserve			
Net profit for the year	–	–	–	3,535.38	–	–	–	3,535.38
Premium on fresh issue of equity shares (refer note 45 and 52)	–	2,927.03	–	–	–	–	–	2,927.03
Remeasurement of defined benefit obligations (net of tax)	–	–	–	(11.52)	–	–	–	(11.52)
Dividend paid	–	–	–	(449.95)	–	–	–	(449.95)
Expense related to capital raising	–	(59.26)	–	–	–	–	–	(59.26)
Employee stock option reserve created during the year	–	–	–	–	66.61	–	–	66.61
Impact on exercise of ESOPs grants (Refer Note 45)	–	47.17	–	–	(47.17)	–	–	–
Impact of option lapsed during the year (Refer Note 45)	–	–	–	0.28	(0.28)	–	–	–
Balance as at 31st March 2022	**120.00**	**5,522.99**	**25.93**	**7,745.62**	**64.53**	**(328.28)**	**737.23**	**13,888.02**

This is the statement of changes in equity in standalone statement referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

1. COMPANY OVERVIEW

Sona BLW Precision Forgings Limited ("the Company") is a public limited company incorporated and domiciled in India and having its registered office at Sona Enclave, Village Begumpur, Khatola, Sector 35, Gurugram. It was incorporated on 27th October 1995 and began commercial production in November 1998. The Company is engaged in the manufacturing of precision forged bevel gears and differential case assemblies, conventional and micro-hybrid starter motors, EV traction motors etc., for automotive and other applications.

2. BASIS OF PREPARATION, MEASUREMENT AND SIGNIFICANT ACCOUNTING POLICIESS

2.1 Basis of preparation and measurement

i) Statement of compliance

The standalone financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The standalone financial statements were approved for issue by the Company's Board of Directors on 5th May 2022.

ii) Historical cost convention

The standalone financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities that are measured at fair value; and
- defined benefit plans – plan assets measured at fair value

2.2 Summary of significant accounting policies

a) Property, plant and equipment

Freehold land is carried at cost. All other items of property, plant and equipment are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The cost of an item of property, plant & equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the property, plant and equipment is capitalised at discounted value. The difference between the discounted value and the total payment is recognised as interest over the period of credit.

Depreciation methods, estimated useful lives and residual value

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives (as set out below) as prescribed in Schedule II of the Act: -

Asset category	Useful life (in years)
Factory buildings	30
Roads	10
Sheds	3
Plant and equipment	7.5 to 25
Furniture and fixtures	10
Tools	3 to 5
Computers and IT equipment	3 to 6
Vehicles	4 to 8
Office equipment	5
Leasehold improvements	Over the effective term of lease

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

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

De-recognition

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 de-recognition 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.

b) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Company can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation methods and periods.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 is accounted for by changing 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.

Asset class	Useful life (in years)
Computer software	3 to 6
Brand	Indefinite
Customer Relationship	15
Technology development expenditure	5

c) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

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

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/ (losses). Non-monetary items denominated in foreign currency are reported at the exchange rate prevailing on the date of transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the statement of profit and loss in the year in which they arise.

d) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

a) Revenue from sale of goods:

Revenue from sale of goods is recognised when the control of goods is transferred to the buyer as per the terms of the contract, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. Control of goods refers to the ability to direct the use of and obtain substantially all of the remaining benefits from goods.

Revenue is measured at fair value of the consideration received or receivable and are accounted for net of returns and discounts. Sales, as disclosed, are exclusive of goods and services tax.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

b) **Other Income:**

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

Dividend is recognised as and when the right of the Company to receive payment is established.

Export benefit entitlements under various schemes notified by the government are recognised in the statement of profit and loss when the right to receive credit as per terms of the scheme is established in respect of the exports made and no significant uncertainties exist as to the amount of consideration and its ultimate collection.

c) **Revenue from contract with customers**

To determine whether to recognise revenue from contracts with customers, the Company follows a 5-step process:

1. Identifying the contract with customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers for products sold and service provided is recognised when control of promised products or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes Goods and services taxes and is net of rebates and discounts. No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

These activity-specific revenue recognition criteria are based on the goods or services provided to the customer and the contract conditions in each case, and are as described below.

Consideration for revenue contracts

This includes amounts paid, or expected to be paid, by the Company to the customer. The amount, if not for a payment for a distinct goods or service from the customer, is accounted for as a reduction of the transaction price. The Company recognises the reduction of revenue when (or as) the later of either of the following events occurs: (a) the Company recognises revenue for the transfer of the related goods or services to the customer; and (b) the entity pays or promises to pay the consideration (even if the payment is conditional on a future event).

e) Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Company is

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

f) Leases

Transition

Effective 1st April 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1st April, 2019 using the modified retrospective method. with the cumulative effect of adopting Ind AS 116 being recognised in equity as an adjustment to the opening balance of retained earnings.

Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments. On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-of-use asset, and finance cost for interest accrued on lease liability.

The following is the summary of practical expedients elected on initial application:

a) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application

b) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

c) Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The Company lease asset classes primarily consist of leases for land, buildings and plant and machinery. 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: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises 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 recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the right to extend the lease. 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 recognised 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.

The lease liability is initially measured at amortised 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.

g) Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

If the Company determines that the fair value at initial recognition differs from the transaction price, the Company accounts for that instrument at that date as follows:

a) at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Company recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

b) in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below:

Financial assets

Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

i. **Financial assets at amortised cost** – a financial instrument is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- 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 method.

ii. **Financial assets at fair value**

- **Investments in equity instruments (other than subsidiaries)** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). 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 FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to statement of profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Investment in equity instrument of subsidiaries are stated at cost using the exemption as per Ind AS 27 'Separate financial statements'.

De-recognition of financial assets

A financial asset is primarily de-recognised 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.

Financial liabilities

Subsequent measurement

After initial recognition, the financial liabilities are subsequently measured at amortised cost using effective interest method. Amortised cost is calculated after considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition of financial liabilities

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Derivative financial instruments

Initial and subsequent measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

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.

h) Impairment of financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets. In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost. ECL is the weighted average of difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Company is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables

The Company applies approach permitted by Ind AS 109 Financial Instruments, which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The Company uses the expected credit loss model to assess any required allowances and uses a provision matrix to compute the expected credit loss allowance for trade receivables. Life time expected credit losses are assessed and accounted based on company's historical collection experience for customers and forecast of macroeconomic factors.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses. When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

i) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are Companied at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Company's of assets (cash-generating units).

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 available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of asset over its remaining useful life.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) Fair value measurement

The Company measures certain financial instruments, such as, investments 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:

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

- 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.

Refer note 32 for fair value hierarchy.

k) Inventories

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Cost are assigned to individual items of inventory on the basis of weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

l) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposit accounts, margin deposit money and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the balance sheet.

m) Employee benefits

a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

b) Post-Employment Benefits

Defined Contribution Plan: A defined contribution plan is a post-employment benefit plan under which the Company pays specified contributions to a separately entity. The Company has defined contribution plans for provident fund and employees' state insurance scheme. The Company's contribution in the above plans is recognised as an expense in the statement of profit and loss during the year in which the employee renders the related service.

Defined Benefit Plans: The Company has defined benefit plan namely Gratuity for employees. The liability in respect of gratuity plans is calculated annually by independent actuary using the projected unit credit method. The Company recognises the following changes in the net defined benefit obligation under Employee benefits expense in statement of profit and loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements
- Net Interest expense

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Balance Sheet. Re-measurements are not reclassified to profit or loss in subsequent periods.

Other long-term employee benefits

Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the end of the year. Actuarial gains/losses are immediately recognised to the Statement of Profit and Loss.

Termination benefits are recognised as an expense immediately.

n) Employee share based payments

The Company has equity-settled share-based remuneration plans for its employees. None of the Company's plans are cash-settled. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Upon exercise of share options, the proceeds received, net of

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

o) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company;
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Dilute earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

p) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Expected future operating losses are not provided for.

Contingencies

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised. However, when inflow of economic benefits is probable, related asset is disclosed.

q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Eligible transaction/ ancillary costs incurred in connection with the arrangement of borrowings are adjusted with the proceeds of the borrowings.

r) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions as per the requirement of Schedule III, unless otherwise stated.

s) Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on the 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;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current assets include the current portion of non-current financial assets. The Company classifies all other assets as non-current.

A liability is treated 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.

Current liabilities include current portion of non-current financial liabilities. 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 for the purpose of current/non-current classification of assets and liabilities.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements includes:

- Measurement of defined benefit obligations (DBO)
- Estimation of useful lives of property, plant and equipment and intangible assets
- Evaluation of indicators for impairment of non-financial assets
- Provisions & contingent liabilities
- Classification of leases
- Allowance for expected credit loss on receivables
- Allowance for obsolete and slow-moving inventory
- Impairment of non-financial assets
- Measurement of share based payments;
- Taxation and legal disputes
- Measurement of fair values
- Capitalisation of internally developed intangible assets

2.4 APPLICATION OF NEW AND REVISED INDIAN ACCOUNTING STANDARD (IND AS)

All the Ind AS issued and notified by the Ministry of Corporate Affairs ('MCA') under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are authorised have been considered in preparing these financial statements.

Standards issued but not effective

The Ministry of Corporate Affairs ("MCA") vide its notification dated March 23, 2022 has notified Companies (Indian Accounting Standards) Amendment Rules, 2022 to further amend the Companies (Indian Accounting Standards) Rules, 2015. Amendments have been made to the following standards.

Amendment to Ind AS 16, Property, Plant and Equipment

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 16 which specifies that an entity shall deduct from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

Amendment to Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 37 which specifies that the cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Amendment to Ind AS 109, Financial Instruments

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 109 which clarifies that which fees an entity should include when it applies the '10%' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendments listed above will be effective on or after 1st April 2022 and are not expected to significantly affect the current or future periods.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

3 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK-IN-PROGRESS AND RIGHT OF USE ASSET

Property, plant and equipment	Freehold land	Buildings (Refer note i)	Plant and equipment (Refer note ii)	Furniture and fixtures	Office Equipment	Computers	Vehicles	Leasehold improvement	Total	Capital work-in-progress	Right of Use assets		
											Leasehold land (refer note (iii) & (iv)	Building	Total
Gross carrying amount as at 1st April 2020	**13.10**	**333.35**	**2,249.14**	**30.44**	**56.92**	**46.24**	**84.95**	**98.83**	**2,912.98**	**500.37**	**241.84**	**542.53**	**784.37**
Add: Effect of business combination (Refer note 49)	13.02	180.45	587.63	21.43	35.79	61.00	28.35	–	927.67	78.49	603.71	28.65	632.36
Gross carrying amount as at 1st April 2020 (post business combination)	**26.12**	**513.80**	**2,836.77**	**51.87**	**92.71**	**107.24**	**113.30**	**98.83**	**3,840.65**	**578.86**	**845.55**	**571.18**	**1,416.73**
Additions	–	13.89	1,056.95	5.25	14.28	26.78	14.69	24.23	1,156.07	1,530.40	–	245.02	245.02
Transfer on capitalisation	–	–	–	–	–	–	–	–	–	(1,287.90)	–	–	–
Disposals	–	–	(231.27)	–	(0.03)	(0.85)	(10.39)	–	(242.54)	–	–	–	–
Gross block as at 31st March 2021	**26.12**	**527.69**	**3,662.46**	**57.11**	**106.96**	**133.17**	**117.60**	**123.05**	**4,754.18**	**821.36**	**845.55**	**816.20**	**1,661.75**
Accumulated depreciation as at 1st April 2020	–	46.50	611.10	10.93	30.05	21.67	25.12	25.18	770.56	–	4.92	30.95	35.87
Add: Effect of business combination (Refer note 49)	–	40.00	257.00	9.00	17.00	39.00	16.00	–	378.00	–	5.65	–	5.65
Gross carrying amount as at 1st April 2020 (post business combination)	**–**	**86.50**	**868.10**	**19.93**	**47.05**	**60.67**	**41.12**	**25.18**	**1,148.56**	**–**	**10.57**	**30.95**	**41.52**
Depreciation charge during the year	–	27.02	425.79	6.71	15.21	23.78	17.72	10.19	526.42	–	10.48	56.32	66.80
Disposals	–	–	(221.48)	–	(0.02)	(0.85)	(8.75)	–	(231.10)	–	–	–	–
Closing accumulated depreciation	**–**	**113.52**	**1,072.41**	**26.64**	**62.24**	**83.60**	**50.09**	**35.37**	**1,443.88**	**–**	**21.05**	**87.27**	**108.32**
Net carrying amount as at 31st March 2021	**26.12**	**414.17**	**2,590.05**	**30.47**	**44.72**	**49.57**	**67.50**	**87.68**	**3,310.31**	**821.36**	**824.50**	**728.92**	**1,553.42**
Gross carrying amount as at 1st April 2021	**26.12**	**527.69**	**3,662.46**	**57.11**	**106.96**	**133.17**	**117.60**	**123.05**	**4,754.15**	**821.36**	**845.55**	**816.20**	**1,661.75**
Additions	–	64.49	2,814.58	15.73	15.57	38.19	90.45	10.69	3,049.70	3,166.69	–	–	–
Transfer on capitalisation	–	–	–	–	–	–	–	–	–	(2,584.49)	–	–	–
Disposals	–	–	(62.28)	–	–	(2.36)	(42.73)	–	(107.37)	–	–	–	–
Gross block as at 31st March 2022	**26.12**	**592.18**	**6,414.75**	**72.84**	**122.53**	**169.00**	**165.32**	**133.74**	**7,696.48**	**1,403.56**	**845.55**	**816.20**	**1,661.75**
Accumulated depreciation as at 1st April 2021	**–**	**113.52**	**1,072.41**	**26.64**	**62.24**	**83.60**	**50.09**	**35.37**	**1,443.88**	**–**	**21.05**	**87.27**	**108.32**
Depreciation charge during the year	–	28.80	661.61	7.24	14.98	27.57	22.39	12.18	774.77	–	10.48	62.25	72.73
Disposals	–	–	(37.71)	–	–	(2.28)	(24.73)	–	(64.72)	–	–	–	–
Closing accumulated depreciation	**–**	**142.32**	**1,696.31**	**33.87**	**77.22**	**108.89**	**47.75**	**47.55**	**2,153.93**	**–**	**31.53**	**149.52**	**181.05**
Net carrying amount as at 31st March 2022	**26.12**	**449.86**	**4,718.44**	**38.96**	**45.30**	**60.11**	**117.57**	**86.19**	**5,542.55**	**1,403.56**	**814.02**	**666.67**	**1,480.69**

CWIP ageing schedule as at 31st March 2022

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	1,060.58	54.26	180.62	108.10	1,403.56

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan.

CWIP ageing schedule as at 31st March 2021

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	526.53	182.33	112.50	-	821.36

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan.

Notes:

(i) Building (gross block) amounting ₹ 208.91 million (31st March 2021: ₹ 192.11 million), net block ₹ 150.33 million (31st March 2021:₹ 135.80 million) is constructed on leasehold land

(ii) Refer note 40 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) The Company has a leasehold land at Pune which has been taken on a lease for a period of 95 years in the year 2018-19. Initial lease payment of ₹ 227.68 million has been made. No annual rent is required to be paid for the aforementioned leasehold land.

(iv) The Company has a leasehold land at Pune which has been taken on a lease for a period of 71 years and 8 months in the year 2004-05. Initial lease payment of ₹ 17.15 millions has been made. No annual rent is required to be paid for the aforementioned leasehold land

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

4 INTANGIBLE ASSETS AND INTANGIBLE ASSETS UNDER DEVELOPMENT

Intangible assets	Computer software	Technical knowhow	Technology development expenditure	Brand	Customer Relationships	Goodwill(Including Assembled workforce and future customer)	Total	Intangible assets under development	Total
Gross carrying amount as at 1st April 2020	69.11	27.18	-	687.40	-	-	783.68	155.00	155.00
Add: Effect of business combination (Refer note 49)	95.92	-	-	-	2,929.00	1,582.24	4,607.16	160.00	160.00
Gross carrying amount as at 1st April 2020 (post business combination)	**165.03**	**27.18**	**-**	**687.40**	**2,929.00**	**1,582.24**	**5,390.84**	**315.00**	**315.00**
Additions	80.75	-	992.90	-	-	-	1,073.65	688.66	688.66
Transfers	-	-	-	-	-	-	-	(992.90)	(992.90)
Gross block as at 31st March 2021	**245.78**	**27.18**	**992.90**	**687.40**	**2,929.00**	**1,582.24**	**6,464.49**	**10.76**	**10.76**
Accumulated amortisation as at 1st April 2020	18.74	12.46	-	-	-	-	31.20	-	-
Add: Effect of business combination (Refer note 49)	30.00	–	–	–	144.87	–	174.87	–	–
Gross carrying amount as at 1st April 2020 (post business combination)	**48.74**	**12.46**	**–**	**–**	**144.87**	**–**	**206.07**	**–**	**–**
Amortisation charge for the year	37.85	4.53	32.01	–	195.12		269.51	–	–
Closing accumulated amortisation as at 31st March 2021	**86.59**	**16.99**	**32.01**	**–**	**339.99**	**–**	**475.58**	**–**	**–**
Net carrying amount as at 31st March 2021	**159.19**	**10.19**	**960.89**	**687.40**	**2,589.01**	**1,582.24**	**5,988.91**	**10.76**	**10.76**
Gross carrying amount as at 1st April 2021	**245.78**	**27.18**	**992.90**	**687.40**	**2,929.00**	**1,582.24**	**6,464.49**	**10.76**	**10.76**
Additions	42.78	4.05	–				46.83	77.56	77.56
Transfer to intangible assets	–	–	–	–	–	–	–	(23.12)	(23.12)
Gross block as at 31st March 2022	**288.56**	**31.23**	**992.90**	**687.40**	**2,929.00**	**1,582.24**	**6,511.32**	**65.20**	**65.20**
Accumulated amortisation as at 1st April 2021	**86.59**	**16.99**	**32.01**	**–**	**339.99**	**–**	**475.58**	**–**	**–**
Amortisation charge for the year	49.26	4.89	198.58	–	195.12		447.85		–
Closing accumulated amortisation as at 31st March 2022	**135.85**	**21.88**	**230.59**	**–**	**535.11**	**–**	**923.44**	**–**	**–**
Net carrying amount as at 31st March 2022	**152.71**	**9.35**	**762.31**	**687.40**	**2,393.89**	**1,582.24**	**5,587.89**	**65.20**	**65.20**

Intangible assets under development ageing schedule for the year ended 31st March 2022

Particulars	Amount in intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	65.20	–	–	–	65.20

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan

Intangible assets under development ageing schedule for the year ended 31st March 2021

Particulars	Amount in intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	10.76	–	–	–	10.76

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

5 INVESTMENTS

	As at 31st March 2022	As at 31st March 2021
At Cost, Unquoted investments, Investment in equity shares of subsidiary companies		
1,878,801 (31st March 2021: 1,878,801) equity shares of USD 1 each in Comstar Automotive Hong Kong Ltd.	229.45	229.45
1,500,000 (31st March 2021: 10,000) equity shares of ₹ 10 each in Sona Comstar eDrive Private Limited	15.00	0.10
130,000 (31st March 2021:130,000) equity shares of ₹ 1 each in Comstar Automotive Technology Services Private Limited	73.80	73.80
250,000 (31st March 2021: 250,000) equity shares of USD 10 each in Comstar Automotive USA LLC	1,248.90	1,248.90
At Cost, Unquoted investments, Investment in equity shares of other than subsidiary companies		
9,553 (31st March 2021: 9,553) equity shares of Euro 500 each in Sona Holding B.V. The Netherlands	211.66	211.66
Less: Provision for impairment	(211.66)	(211.66)
	–	–
1 (31st March 2021: 1) equity shares of USD 1 each in Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V *	–	–
At Cost, Unquoted investments, Investment in Preference shares of other than subsidiary companies		
392,647 (31st March 2021: 9,953) equity shares of Euro 5 each in Sona Holding B.V. The Netherlands	116.62	116.62
Less: Provision for impairment	(116.62)	(116.62)
	–	–
	1,567.15	**1,552.25**
Aggregate amount of unquoted non-current investments	1,567.15	1,552.25
Aggregate amount of impairment of unquoted investments	328.28	328.28

* the amount is less than ₹ 10,000

Investment (current)		
At fair value through profit and loss Quoted Investment		
18598.38 units (31st March 2021: Nil) of HDFC Overnight Fund - Regular	58.32	–
	58.32	**–**
Aggregate amount of quoted investments at cost	58.32	–
Aggregate amount of quoted investments at market value	**58.32**	**–**

6 OTHER FINANCIAL ASSETS

	As at 31st March 2022	As at 31st March 2021
Unsecured, considered good		
Non-current		
Security deposits	63.56	56.54
Total other financial assets non-current	**63.56**	**56.54**
Current		
Forward contract receivables (refer note 33)	29.49	147.87
Security deposits	30.00	0.35
Other financial assets	0.40	2.14
Royalty income receivable	4.71	1.47
Total other financial assets- current	**64.60**	**151.83**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

7 INCOME TAX ASSETS (NET)

	As at 31st March 2022	As at 31st March 2021
Non-current		
Prepaid taxes*	254.50	406.95
	254.50	**406.95**

8 OTHER ASSETS

	As at 31st March 2022	As at 31st March 2021
Non-current		
Prepaid expenses	1.01	2.07
Un-adjusted consideration for revenue contract	41.83	42.27
Capital advances	506.98	251.90
Total other assets - non-current	**549.82**	**296.24**
Current		
Prepaid expenses	85.77	53.25
Loans and advances to employees	2.94	3.29
Advance to suppliers for goods and services	82.10	88.33
Balance with government authorities	338.65	252.48
Un-adjusted consideration for revenue contract	14.24	19.23
Other assets	139.46	72.50
Less: Allowance for doubtful advances	(20.38)	(20.38)
Total other assets- current	**642.78**	**468.70**

9 INVENTORIES

	As at 31st March 2022	As at 31st March 2021
Raw materials and components*	727.78	600.95
Work-in-progress**	326.07	268.18
Finished goods***	1,575.25	1,338.57
Stores and spares	114.96	160.72
Loose tools	48.68	39.06
Dies, jigs and fixtures	197.09	146.78
Scrap	16.92	10.77
Total#	**3,006.75**	**2,565.03**

Total inventory is net of 'provision for obsolete and slow moving inventory' amounting to ₹ 54.50 million (31st March 2021: ₹ 47.52 million)

* Includes raw materials and components in transit amounting ₹ 50.16 million (31st March 2021: ₹ 72.28 million)

* Includes raw materials and components with the vendors sent for job work ₹ 11.80 million (31st March 2021: ₹ 12.19 million)

** Includes inventory with the vendors sent for job work ₹ 108.98 million (31st March 2021: ₹ 98.49 million)

*** Includes goods in transit ₹ 476.94 million (31st March 2021: ₹ 361.07 million)

10 TRADE RECEIVABLES

	As at 31st March 2022	As at 31st March 2021
Unsecured		
Trade receivables considered good	4,374.88	3,986.43
Trade receivables - credit impaired	7.42	2.97
Less: Allowances for expected credit loss	(7.42)	(2.97)
Total trade receivables	**4,374.88**	**3,986.43**

Notes:

(i) Refer note 36 for receivable balance from related parties

(ii) Refer note 33 - Financial instruments for assessment of expected credit losses

(ii) There are no disputed dues from customers

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Trade receivables ageing schedule as at 31st March 2022

Particulars	Outstanding for following periods from due date of payment							Total
	Unbilled Dues	Not Due	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Trade receivables - considered good	34.79	3,489.12	741.59	100.83	8.51	0.04	–	4,374.88
(ii) Trade receivables - credit impaired	–	0.16	1.07	1.09	2.32	1.09	1.69	7.42

Trade receivables ageing schedule as at 31st March 2021

Particulars	Outstanding for following periods from due date of payment							Total
	Unbilled Dues	Not Due	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Trade receivables - considered good	11.59	2,984.77	968.30	18.86	2.63	0.27	–	3,986.43
(ii) Trade receivables - credit impaired	–	–	0.04	0.16	0.38	–	2.39	2.97

11 CASH AND CASH EQUIVALENTS

	As at 31st March 2022	As at 31st March 2021
Balance with banks		
– in current accounts	146.69	47.65
Cash on hand	0.14	0.10
Cheque on hand	53.17	–
Bank deposits with original maturity of less than three months	2.15	1.40
Total cash and cash equivalents	**202.14**	**49.15**

12 OTHER BANK BALANCES

	As at 31st March 2022	As at 31st March 2021
Bank deposits with original maturity of more than three months but residual maturity of less than twelve months	192.43	1.21
Total other bank balances	**192.43**	**1.21**

13 (A) EQUITY SHARE CAPITAL

	As at 31st March 2022	As at 31st March 2021
Authorised share capital		
1,148,500,000 (31st March 2021: 998,500,000) equity shares of ₹ 10 each)	11,485.00	9,985.00
Issued, subscribed and paid up share capital		
584,352,710 (31st March 2021: 572,980,560) equity shares of ₹ 10 each fully paid up	5,843.53	5,729.80

i) Reconciliation of shares outstanding at the beginning and at the end of the year

Number of shares	As at 31st March 2022	As at 31st March 2021
Equity shares outstanding at the beginning of the year	57,29,80,560	4,71,53,944
Add : Conversion of compulsory convertible preference shares into equity shares (refer note 13(B) iv below)	–	5,94,436
Add : Issue of shares	1,13,72,150	–
Add : Bonus shares issued during the year (refer note 13(B) iv below)	–	52,52,32,180
Equity shares outstanding at the end of the year	**58,43,52,710**	**57,29,80,560**

Amount	As at 31st March 2022	As at 31st March 2021
Equity shares outstanding at the beginning of the year	5,729.80	471.54
Add : Conversion of compulsory convertible preference shares into equity shares (refer note 13(B) iv below)	–	5.94
Add : Issue of shares	113.73	–
Add : Bonus shares issued during the year (refer note 13(B) iv below)	–	5,252.32
Equity shares outstanding at the end of the year	**5,843.53**	**5,729.80**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

ii) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity share holders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

iii) Shares of the Company held by Holding Company

	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	–	37,97,71,512

iv) Details of shareholders holding more than 5% of the total number of equity shares in the Company

Number of shares	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	19,93,59,141	37,97,71,512
Sona Autocomp Holding Private Limited (formerly known as Sona Autocomp Holding Limited)	19,32,08,904	19,32,08,904

Percentage	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	34.12%	66.28%
Sona Autocomp Holding Private Limited (formerly known as Sona Autocomp Holding Limited)	33.06%	33.72%

v) The Board of Directors of the Company have approved the following: issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each (including the equity shares issued upon conversion of the Compulsorily Convertible Preference Shares (CCPS) and accordingly 525,232,180 bonus shares were issued, which were allotted on 10th February 2020. Other than this, the Company has not issued any shares pursuant to contracts without payment being received in cash, or allotted as fully paid up by way of bonus shares during the period ended 31st March 2022 and five years immediately preceding the year ended 31st March 2021.

vi) Promoters shareholding

Shareholding of promoters as on 31st March 2022

Promoter name	Number of shares	% of total shares	% change during the period (refer note 52)
Singapore VII Topco III Pte. Ltd.	19,93,59,141	34.12	(32.16)
Sona Autocomp Holding Private Limited	19,32,08,904	33.06	(0.66)
*Rani Kapur- RK Family Trust	72	**	–
*Ashok Sachdev	151	**	–
*Jasbir Sachdev	361	**	–
*Charu Sachdev	423	**	–
Total	**39,25,69,052**	**67**	**–**

Shareholding of promoters as on 31st March 2021

Promoter name	Number of shares	% of total shares	% change during the period (refer note 52)
Singapore VII Topco III Pte. Ltd.	37,97,71,512	66.28	0.43#
Sona Autocomp Holding Private Limited	19,32,08,904	33.72	(0.43)#
*Rani Kapur- RK Family Trust	72	**	–
Total	**57,29,80,488**	**100**	**–**

* Promoter Group

** Percentage is negligible

Change in percentage is due to issuance of compulsorily convertible preference shares

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

13 (B) INSTRUMENTS ENTIRELY EQUITY IN NATURE

	As at 31st March 2022	As at 31st March 2021
Authorised share capital		
1,500,000 (31st March 2021: 1,500,000) preference shares of ₹ 10 each	15.00	15.00
Issued, subscribed and paid up share capital		
Nil (31st March 2021: Nil) Compulsorily convertible preference shares of ₹ 10 each fully paid up	–	–

i) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Number of shares	As at 31st March 2022	As at 31st March 2021
Compulsorily convertible preference shares outstanding at the beginning of the year	–	5,94,436
Less : Conversion of compulsory convertible preference shares into equity shares (Refer Note below (iv))	–	(5,94,436)
Compulsorily convertible preference shares outstanding at the end of the year	–	–

Amount	As at 31st March 2022	As at 31st March 2021
Compulsorily convertible preference shares outstanding at the beginning of the year	–	5.94
Less : Conversion of compulsory convertible preference shares into equity shares (Refer Note below (iv))	–	(5.94)
Compulsorily convertible preference shares outstanding at the end of the year	**–**	**–**

ii) Rights, preferences and restrictions attached to preference shares

Each compulsorily convertible preference shares (CCPS) has a par value of ₹10 and would be converted into equity shares of the holding company on the date falling five years from the date of issue of such CCPS or the last date of conversion under applicable laws, whichever is earlier. The preference shareholders shall receive a dividend of 0.01% per annum and carry a preferential right vis-à-vis equity shares of the holding company with respect to payment of dividend or repayment of capital. Each CCPS shall have the same voting as that given to the equity shareholders in the shareholders' meeting, to the extent of their respective ownership of equity shares (assuming the CCPS have been converted into equity shares in accordance with their terms).The preference shares shall have preferential rights vis-a-vis the equity shares, with respect to interest and other distribution rights and rights on liquidation, dissolution and winding up of the affairs of the holding company.

iii) In the board meeting on 27th January 2021 the board Board of Directors of the Company has approved the conversion of the compulsorily convertible preference shares (CCPS) into the equity shares of the Company in accordance with the Share Subscription and Share Purchase Agreement dated 16th October 2018 executed between *inter alia*, the Company and the Investor. Number of equity shares issued against conversion of CCPS : 594,436.

iv) The Board of Directors of the Company has approved the following: issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each (including the equity shares issued upon conversion of the Compulsorily Convertible Preference Shares (CCPS) and accordingly 525,232,180 bonus shares were issued, which were allotted on 10th February 2020. Other than this, the Company has not issued any shares pursuant to contracts without payment being received in cash, or allotted as fully paid up by way of bonus shares during the period ended 31st March 2022 and five years immediately preceding the year ended 31st March 2021.

14 OTHER EQUITY

	As at 31st March 2022	As at 31st March 2021
Retained earnings	7,745.62	4,671.43
General reserve	120.00	120.00
Securities premium	5,522.99	2,608.05
Capital redemption reserve	25.93	25.93
Equity instruments through other comprehensive income	(328.28)	(328.28)
Employee's stock options reserve	64.53	45.37
Merger Reserve (Refer note 49)	737.23	737.23
Total reserves and surplus	**13,888.02**	**7,879.73**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

a) Retained earnings

	As at 31st March 2022	As at 31st March 2021
Opening balance	4,671.43	3,411.55
Net profit for the year	3,535.38	2,160.39
Remeasurement of defined benefit obligations, net of tax	(11.52)	3.51
Less:-Dividend paid	(449.95)	(904.02)
Add: Tranferred from ESOP reserve for option lapsed during the period (Refer note 45)	0.28	–
Closing balance	**7,745.62**	**4,671.43**

Retained earnings are created from the profit of the Company, as adjusted for distribution to owners, transfer to other reserve, remeasurement of defined benefit plan, etc.

b) General reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	120.00	120.00
Closing balance	**120.00**	**120.00**

The Company transferred a portion of the net profit before declaring dividend to general reserve pursuant to the earlier provision of Companies Act, 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013. This reserve is available for distribution to shareholders in accordance with provisions of Companies Act, 2013.

c) Securities premium

	As at 31st March 2022	As at 31st March 2021
Opening balance	2,608.05	7,881.34
Premium on fresh issue of equity shares	2,927.03	–
Less : Premium paid on issue of bonus shares	–	(5,252.32)
Less: Expense related to capital raising	(59.26)	–
Less: Stamp duty paid for increase in authorised share capital	–	(20.97)
Add Impact on ESOP shares issuance	47.17	–
Closing balance	**5,522.99**	**2,608.05**

Securities premium represents premium received on issuance of shares. The balance is utilised in accordance with the provisions of the Companies Act, 2013.

d) Capital redemption reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	25.93	25.93
Transferred from retained earnings	–	–
Closing balance	**25.93**	**25.93**

Companies Act, 2013 requires that where a Company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to a capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet. The capital redemption reserve account may be applied by the Company, in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares. The Company established this reserve pursuant to the buyback of shares in earlier year.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

e) Merger Reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	737.23	737.23
Movement during the year	–	–
Closing balance	**737.23**	**737.23**

Merger Reserve has been created pursuant to merger of Sona BLW Precision Forgings Limited and Comstar Automotive Technology Private Limited. (refer note 49)

f) Equity instruments through other comprehensive income

	As at 31st March 2022	As at 31st March 2021
Opening balance	(328.28)	(309.28)
Add: Net changes in fair values of equity instruments carried at fair value through other comprehensive income	–	(19.00)
Closing balance	**(328.28)**	**(328.28)**

g) Employee's stock options outstanding reserve

'This reserve represents the shared based compensation expense recorded with the respect to options granted to employees as and when the related grant conditions are met and is adjusted on exercise/ forfeiture of options.

	As at 31st March 2022	As at 31st March 2021
Opening balance	45.37	–
Add: Created during the year	66.61	45.37
Less: Utilised during the year	(47.17)	–
Add: Transferred from ESOP reserve for option lapsed during the period (Refer note 45)	(0.28)	–
Closing balance	**64.53**	**45.37**

15 BORROWINGS

i) Non-current borrowings

	As at 31st March 2022	As at 31st March 2021
Secured		
Term loans from banks		
Indian rupee loans	450.00	2,473.34
Vehicle loans	–	8.07
Deferred payment liabilities	–	20.13
	450.00	**2,501.54**
Less: Amount disclosed under current borrowings (refer note (ii) below)	(12.50)	(594.53)
Total non-current borrowings	**437.50**	**1,907.01**

ii) Current borrowings

	As at 31st March 2022	As at 31st March 2021
Indian Rupee loans repayable on demand from banks - secured	57.15	554.97
Packing credit	–	487.08
Current Maturities of non-current borrowings	12.50	574.40
Current Maturities of deferred payment liabilities	–	20.13
Indian Rupee loans repayable on demand (from NBFC) - Unsecured *	196.11	102.93
Total current borrowings	**265.76**	**1,739.51**

* The Company enters into factoring arrangements with recourse for its trade receivables with Tata Capital Financial Services Limited. As at 31 March 2022 the Company had factoring facilities in place for trade receivables and amount of ₹ 196.11 million (31 March 2021: ₹102.93 million) were realised by using these facilities against which the monies were yet to be collected by the financial institution from the Company's customer. The Company does not derecognise the receivables from its books since, it does not transfer substantially all the risks and rewards of ownership of the financial asset (i.e. receivables) and a corresponding liability towards the banks is recognised in respect of aforementioned amounts so realised by the Company from the banks but yet to be collected by the financial institution from the Company's customers.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

iii) Terms of Long-term borrowing

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC (Term loan) -1	Outstanding Amount (₹ million)	–	197.12
	Interest rate		0.50% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of the company 2. Second *pari passu* charge on current assets (present and future) of the company
	Repayment schedule		Quarterly Instalments 4 Instalment for ₹ 22.24 million (Total ₹ 88.96) 4 Instalment for ₹ 26.69 million (Total ₹ 106.75 million)
HDFC (Term loan) - 2	Outstanding Amount (₹ million)	–	776.72
	Interest rate		0.50% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of company 2. Second *pari passu* charge on current assets (present and future) of company
	Repayment schedule		Quarterly 11 instalments of ₹ 70.15 each total amounting ₹ 771.60 million
HDFC (Term loan) - 3	Outstanding Amount (₹ million)	–	688.03
	Interest rate		0.85% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of the company 2. Second *pari passu* charge on current assets (present and future) of the company
	Repayment schedule		Quarterly 18 Instalment for ₹ 37.96 million each starting from 1st October 2021 (Total ₹ 683.28 million)
HDFC (Term loan) - 4	Outstanding Amount (₹ million)	–	458.18
	Interest rate		0.20% above six month MCLR of HDFC Bank
	Security		1. Movable Fixed assets: First pari-passu charge on the entire movable fixed assets, present and future of the Company 2. Immovable Fixed assets: First paripassu charge on the immoveable fixed assets situated at Gurgaon. 3. Current Assets: Second paripassu charge on entire current assets of the Company, both present and future
	Repayment schedule		Quarterly 16 Instalment for ₹ 28.48 million each starting from 23rd December 2022 (Total amounting ₹ 455.73 million)

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC (Term loan) - 5	Outstanding Amount (₹ million)	351.36	
	Interest rate	3M T Bill +1.51% P.A.	
	Security	1. Movable Fixed Assets: First *pari passu* charge on the entire moveable fixed assets, present and future, of the company 2. Immovable Fixed Assets: First *pari passu* charge on the immovable fixed assets situated at Gurgaon 3. Second *pari passu* charge on entire current assets of the Company	
	Repayment schedule	Quarterly Instalment 12 Instalment of ₹ 29.17 million each starting from October 2023"	
Citi Bank (Term loan) 2	Outstanding Amount (₹ million)	100.55	377.31
	Interest rate	3 Months T-Bill Rate + 2.00% PA	3 Months T-Bill Rate +3.67%
	Security	1. Movable Fixed Assets: First *pari passu* charge on the entire moveable fixed assets, present and future, of the company 2. Immovable Fixed Assets: First *pari passu* charge on the immovable fixed assets situated at Gurgaon 3. Second *pari passu* charge on entire current assets of the Company	
	Repayment schedule	Quarterly Instalment 16 Instalment of ₹ 6.25 million each starting from December 2022	Quarterly Instalments 12 Instalments of ₹ 31.25 million each total amounting ₹ 375.00 million
Citi Bank (Term loan) 1	Outstanding Amount (₹ million)		377.31
	Interest rate		3 Months T-Bill Rate +3.67%
	Security		1. First *pari passu* charge on entire fixed assets of company excluding immovable fixed assets situated at Pune. 2. Second *pari passu* charge on entire current assets of the company
	Repayment schedule		Quarterly Instalments 12 Instalments of ₹ 31.25 million each total amounting ₹ 375.00 million
Yes Bank (Vehicle loan)	Outstanding Amount (₹ million)		3.01
	Interest rate		Interest ranging from 8.39% 9.61%
	Security		Vehicle
	Repayment schedule		Monthly instalment ranging from 24~33 EMI's and amount ranging from ₹ 12,236 ~ ₹ 37,752.
HDFC (Vehicle loan)	Outstanding Amount (₹ million)		5.11
	Interest rate		Interest ranging from 7.75% to 9%
	Security		Vehicle
	Repayment schedule		Monthly instalment ranging from 32~56 EMI's and amount ranging from ₹ 10,455 ~ ₹ 77,150.
Deferred payment liabilities	Outstanding Amount (₹ million)		20.13

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
State Bank of India New Delhi-EPC	Outstanding Amount (₹ million)		0.10
	Interest rate		MCLR(1yr)+55 bps(5.6%-6.05%) v
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second charge is on all fixed assets of the company
	Repayment schedule		Repayable on demand
State Bank of India New Delhi-CC	Outstanding Amount (₹ million)	0.02	39.56
	Interest rate	MCLR (06 Month) +15 bps	MCLR(1yr)+85 bps v
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	First *pari passu* on the entire (present & future) current assets of the Company, Second on all fixed assets of the company
	Repayment schedule	Repayable on demand	Repayable on demand
Citi Bank-EPC	Outstanding Amount (₹ million)	–	143.58
	Interest rate		Mutually agreed 6.5% / 3.5% (before / after interest subvention)
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second on all movable fixed assets of the company and immovable property of Gurgaon plant only.
	Repayment schedule		Repayable on demand
IndusInd Bank-CC	Outstanding Amount (₹ million)	–	–
	Interest rate		MCLR(1yr)+80 bps
	Security		First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule		Repayable on demand
HDFC Bank -CC	Outstanding Amount (₹ million)	0.09	13.12
	Interest rate	7.20% PA linked with 1Y MCLR	MCLR(1yr)+130 bps
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule	Repayable on demand	Repayable on demand

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC Bank - WCDL	Outstanding Amount (₹ million)	57.03	–
	Interest rate	4.60% PA linked with T-Bill	
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	
	Repayment schedule	Repayable on demand	
HDFC Bank - EPC 1	Outstanding Amount (₹ million)	–	336.01
	Interest rate		As mutually agreed 4.3% / 7.3% (before / after interest subvention)
	Security		First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule		Repayable on demand
Yes Bank-CC	Outstanding Amount (₹ million)	–	–
	Interest rate		3 months MCLR +60% p.a (7.5%-9.8%)
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second on all movable fixed assets of the company and immovable property of Gurgaon plant only.
	Repayment schedule		Repayable on demand
Short Term PCFC Loan-HDFC Bank	Outstanding Amount (₹ million)	–	487.08
	Interest rate		Average rate- 4.21%
	Security		Secured by first charge on entire stock and book debt.
	Repayment schedule		Repayable within 180 days
Overdraft Facility-HDFC Bank	Outstanding Amount (₹ million)	–	22.61
	Interest rate		Average rate- 8.75%
	Security		Secured by first charge on entire stock and book debt.
	Repayment schedule		Repayable within 180 days
Tata Capital loan-Financial Institution	Outstanding Amount (₹ million)	126.60	62.64
	Interest rate	The interest rate agreed with customer is 0.45% for 30 days credit period (current effective rate is 5.48% p.a.).	
	Security	Trade receivables against corresponding loan	
Tata Capital loan-Financial Institution	Repayment schedule	69.51	40.30
	Interest rate	The interest rate agreed with customer is 0.42% for 60 days credit period (current effective rate is 2.69% p.a.).	
	Security	Trade receivables against corresponding loan	

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

iv) Reconciliation of liabilities arising from financing activities (as per requirements of Ind AS 7 'Statement of cash flows')

The changes of the Company's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Short-term borrowings	Leases	Total
Balance as at 1st April 2020	**2,205.66**	**545.09**	**542.06**	**3,292.81**
Effect on business combination (Refer note 49)	**–**	**301.38**	**13.67**	**315.05**
Balance as at 1st April 2020 (post business combination)	**2,205.66**	**846.47**	**555.73**	**3,607.86**
Cash Flows:				
Repayment of non-current borrowings	(407.96)	–	–	(407.96)
Proceeds from non-current borrowings	717.57	–	–	717.57
Proceeds from current borrowings (net)	–	298.52	–	298.52
Repayment of Deferred payment liabilities	(12.47)	–	–	(12.47)
Repayment of lease liabilities	–	–	(83.86)	(83.86)
Non-cash changes				
Amortisation of transaction cost based on effective interest rate	(2.32)	–	–	(2.32)
Unwinding of discount on deferred payment liabilities	1.07	–	–	1.07
Interest expense on lease liabilities	–	–	69.62	69.62
Creation of lease liabilities under Ind AS 116	–	–	240.55	240.55
Interest accrued on long-term borrowing movement	–	–	–	
Balance as at 31st March 2021	**2,501.54**	**1,144.99**	**782.04**	**8,036.43**
Cash Flows:				
Repayment of non-current borrowings	(2,505.67)	–	–	(2,505.67)
Proceeds from non-current borrowings	450.00	–	–	450.00
Proceeds from current borrowings (net)	–	(891.73)	–	(891.73)
Repayment of Deferred payment liabilities	(21.04)	–	–	(21.04)
Repayment of lease liabilities	–	–	(94.65)	(94.65)
Non-cash changes				
Amortisation of transaction cost based on effective interest rate	10.12	–	–	10.12
Unwinding of discount on deferred payment liabilities	0.91	–	–	0.91
Interest expense on lease liabilities	–	–	76.19	76.19
Interest accrued on long-term borrowing movement	14.15	–	–	14.15
Other movement	–	–	0.36	0.36
Balance as at 31st March 2022	**450.00**	**253.26**	**763.94**	**5,060.56**

16 OTHER FINANCIAL LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Non-current		
Security deposits	1.74	1.24
Total other financial liabilities - non-current	**1.74**	**1.24**
Current		
Interest accrued but not due on borrowings	1.91	16.07
Employee benefits payable	151.45	51.80
Capital creditors	687.76	131.92
Other payables	32.00	30.46
Total other financial liabilities - current	**873.11**	**230.25**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

17 PROVISIONS

	As at 31st March 2022	As at 31st March 2021
Non-current		
Provision for compensated absences (refer below)	79.76	73.03
Provision for defined benefit plans (refer note 38)	0.36	2.62
Provision for warranty (refer below)	12.62	7.95
Total provisions - non-current	**92.74**	**83.60**
Current		
Provision for compensated absences (refer below)	42.99	27.43
Provision for defined benefit plans (refer note 38)	38.80	26.13
Provision for warranty (refer below)	10.34	9.14
Total provisions - current	**92.12**	**62.70**

The reconciliation of the carrying amount of provision from beginning of the year to end of the year is provided below:

	As at 31st March 2022	As at 31st March 2021
Provision for Compensated Absences		
Opening balance	100.47	42.90
Effect of business combination (Refer note 49)	-	16.96
Opening balance (post business combination)	**100.47**	**59.86**
Additions	48.29	75.09
Amounts utilised	(26.01)	(34.48)
Closing balance	**122.75**	**100.47**
Provision for Warranty		
Opening balance	17.09	-
Effect of business combination (Refer note 49)	-	17.07
Opening balance (post business combination)	17.09	17.07
Additions	9.70	8.70
Amounts utilised	(3.83)	(8.68)
Closing balance	**22.96**	**17.09**

18 DEFERRED TAX LIABILITIES (NET)

	As at 31st March 2022	As at 31st March 2021
Deferred tax liabilities		
Property, plant and equipment and intangible assets	712.26	732.58
Others	12.77	18.02
Total deferred tax liabilities	**725.03**	**750.60**
Deferred tax assets		
Provision for employee benefits obligation	50.52	40.20
Others	13.87	16.67
Total deferred tax assets	**64.39**	**56.87**
Net deferred tax liabilities	**660.63**	**693.73**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

a) Movement in deferred tax assets/liabilities

	31st March 2022	31st March 2021
Property, plant and equipment and intangible assets		
Opening balance	732.58	122.24
Effect of business combination (Refer note 49)	-	297.29
Opening balance (post business combination)	**732.58**	**419.53**
Charged/(credited):		
– to profit or loss	(20.32)	313.05
– to other comprehensive income	–	–
Closing balance	**712.26**	**732.58**
Provision for employee benefits obligation		
Opening balance	(40.20)	(13.52)
Effect of business combination (Refer note 49)	–	(18.77)
Opening balance (post business combination)	**(40.20)**	**(32.29)**
Charged/(credited):		
– to profit or loss	(6.45)	(6.71)
– to other comprehensive income	(3.87)	(1.19)
– directly in equity	–	–
Closing balance	**(50.52)**	**(40.20)**
Others Deferred tax liabilities		
Opening balance	(16.67)	(24.21)
Effect of business combination (Refer note 49)	–	–
Opening balance (post business combination)	(16.67)	(24.21)
Charged/(credited):		
– to profit or loss	2.81	7.54
Closing balance	**(13.87)**	**(16.67)**
Others Deferred tax assets		
Opening balance	18.02	–
Effect of business combination (Refer note 49)	–	(31.10)
Opening balance (post business combination)	18.02	(31.10)
Charged/(credited):		
– to profit or loss	(5.24)	49.12
Closing balance	**12.77**	**18.02**

Deferred tax assets amounting to ₹ 82.62 million as at 31st March 2022 (31st March 2021: ₹ 82.62 million) on fair value adjustment recognised in respect of investments held in Sona Holding B.V. The Netherlands has not been recognised due to uncertainty regarding the allowability of such loss.

19 TRADE PAYABLES

	As at 31st March 2022	As at 31st March 2021
Trade payables		
– micro enterprises and small enterprises (refer note 41)	386.98	495.55
– other than micro enterprises and small enterprises	1,472.80	1,448.31
Total Trade payables	**1,859.78**	**1,943.86**

Note:

(i) Refer note 36 for balance payable to related parties

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Trade payables ageing schedule as at 31st March 2022

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 year	
(i) MSME	4.36	307.05	69.62	5.71	0.23	0.01	386.98
(ii) Others	254.90	978.60	228.29	7.38	1.22	2.42	1,472.80
Total	**259.26**	**1,285.64**	**297.91**	**13.08**	**1.45**	**2.43**	**1,859.78**

Trade payables ageing schedule as at 31st March 2021

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 year	
(i) MSME	3.84	447.76	43.67	-	0.17	0.12	495.55
(ii) Others	259.98	880.16	298.88	3.27	2.60	3.42	1,448.31
Total	**263.82**	**1,327.92**	**342.55**	**3.27**	**2.77**	**3.54**	**1,943.86**

20 OTHER CURRENT LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Statutory dues payable	60.77	73.98
– Advance from customers	86.97	91.66
– Contract liability	70.00	–
Total current liabilities	**217.74**	**165.64**

21 CURRENT TAX LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Income tax liabilities (net)(Net of advance tax ₹ 734.45 million)	60.21	–
Total current tax liabilities	**60.21**	**–**

22 REVENUE FROM OPERATIONS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Sale of goods	18,418.98	13,253.63
Other operating revenue		
Scrap sales	449.96	237.46
Export incentive	249.86	133.29
Liabilities written back	53.17	0.00
Foreign exchange gain (net)	209.31	358.78
Royalty income	8.65	16.41
Others	0.55	0.87
Total revenue from operations	**19,390.49**	**14,000.44**

23 OTHER INCOME

	For the year ended 31st March 2022	For the year ended 31st March 2021
Interest income from bank	13.09	20.97
Interest income from income tax refunds	182.68	–
Dividend income from subsidiary	312.73	346.39
Others	1.48	1.39
Total other income	**509.98**	**368.75**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

24 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Inventories at the beginning of the year		
Work-in-progress	268.17	148.30
Finished goods	1,338.57	145.96
	1,606.74	**294.26**
Add: Effect of business combination (Refer note 49)		
Work-in-progress	–	15.25
Finished goods	–	660.72
	–	**675.97**
Inventories at the beginning of the year (post business combination)		
Work-in-progress	268.17	163.55
Finished goods	1,338.57	806.68
	1,606.74	**970.23**
Inventories at the end of the year		
Work-in-progress	326.07	268.17
Finished goods	1,575.25	1,338.57
	1,901.32	**1,606.74**
Changes in inventories	**(294.57)**	**(636.51)**

25 EMPLOYEE BENEFITS EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Salaries, wages and allowances	1,298.52	1,156.34
Contribution to provident and other funds	78.05	75.95
Staff welfare expenses	157.76	121.66
Share based payment to employees (refer note 45)	66.60	45.38
Total employee benefits expense	**1,600.93**	**1,399.33**

26 FINANCE COSTS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Interest on loans	70.98	213.06
Other borrowing costs	3.04	5.12
Bank and other finance charges	22.16	13.20
Interest on lease liabilities (refer note 43)	76.19	69.62
Interest expenses on others	–	17.01
Total finance costs	**172.37**	**318.01**

27 DEPRECIATION AND AMORTISATION EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Depreciation of property, plant and equipment	774.77	526.43
Amortisation of intangible assets	447.85	269.51
Amortisation of right-of-use assets	72.73	66.80
Less: Transfer to Capital work-in-progress	–	(2.07)
Total depreciation and amortisation expense	**1,295.35**	**860.68**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

28 OTHER EXPENSES

	For the year ended 31st March 2022	For the year ended 31st March 2021
Consumption of stores, spares and tool	1,012.63	664.07
Power and fuel	479.49	388.13
Freight, clearing and forwarding charges	378.21	285.24
Packing material	309.52	189.82
Sub contracting cost	747.85	592.81
Rent (refer note 43)	31.43	21.15
Repairs and maintenance - plant and machinery	300.63	237.02
Repair and maintenance - buildings	16.01	19.16
Repair and maintenance - others	109.21	89.62
Manpower hiring on contract	388.71	287.72
Legal and professional charges (refer note (a) below)	209.64	121.36
Rates and taxes	7.96	7.36
Insurance	52.96	31.14
Travelling, conveyance and vehicle expenses	117.45	87.55
Communication and stationery expenses	22.63	15.75
Security charges	21.69	16.28
Corporate social responsibility expense (refer note (b) below)	54.74	53.95
Business promotion	13.10	9.14
Directors sitting fees	33.68	27.01
Loss on sale of property plant & equipments (net)	9.14	2.92
Provision for warranty	9.70	8.70
Miscellaneous expenses	116.83	57.84
Total other expenses	**4,443.19**	**3,213.74**

a) Details of payment to auditors*

	For the year ended 31st March 2022	For the year ended 31st March 2021
Payments to the statutory auditor:		
(a) For Statutory Audit	11.15	5.85
(b) For other services	1.71	1.79
(c) For reimbursement of expenses	0.05	0.08
Total expenses	**12.91**	**7.72**

* Excluding applicable taxes and fees paid for services related to Initial Public Offer amounting to ₹ 4.51 million for year ended 31st March 2022 (₹ 21.72 million for the year ended 31st March 2021)(Refer note 51 and 52)

b) Corporate social responsibility expenditure

Details of CSR Expenditure:

	For the year ended 31st March 2022	For the year ended 31st March 2021
a) Gross amount required to be spent by the Company during the year	55.10	53.94
b) Amount spent during year is as below		
(i) Construction/ acquisition of assets	–	–
(ii) On Purpose other than above	40.11	39.56
Total Amount Spent		
Amount yet to be spent	**15.00**	**14.39**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Ongoing Projects and others:	In case of Section 135(6) (Ongoing Project)	In case of Section 135(5) (Other than ongoing Project)
Opening Balance		
With Company	–	–
In Separate CSR Unspent A/c	15.00	–
Add: Amount required to be spent during the year	22.50	32.61
Less: Amount spent during the year		
From Company's bank A/c (from the CSR obligation of financial year 21-22)	7.50	32.61
From Separate CSR Unspent A/c (from the CSR obligation of financial year 20-21)	13.48	–
Closing Balance	**16.52**	**–**
With Company	**–**	**–**
In Separate CSR Unspent A/c	**1.52**	**–**

Consequent to the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 ("the Rules"), the Company has transferred ₹ 15 million the unspent amount relating to ongoing project for CSR for FY 2021-22 in a 'Unspent Corporate Social Responsibility Account- Sona BLW Precision Forgings Limited- 2022' on 26 April 2022.

29 EXCEPTIONAL ITEM

	For the year ended 31st March 2022	For the year ended 31st March 2021
Expenditure incurred for listing and offer for sale of shares (refer note 51)	(132.70)	139.06
	(132.70)	**139.06**

30 INCOME TAX EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Current tax	796.17	390.04
Tax related to previous years	(134.62)	-
Deferred tax charge/(credit)	(29.23)	363.00
Total Income Tax expense	**632.32**	**753.03**

a) The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

	For the year ended 31st March 2022	For the year ended 31st March 2021
Profit before income tax expense	4,167.71	2,913.43
Income tax as per statement of profit and loss	632.32	753.04
Tax at the Indian tax rate of 25.167% (31st March 2021: 25.167%)	**1,048.89**	**733.22**
Effect of non-deductible expenses	9.26	15.63
Transaction cost of an equity transaction	(3.30)	-
Tax effect on Dividend from foreign subsidiary at a lower rate	(104.35)	(27.74)
Tax effect of ESOP exercised	(126.81)	-
Lower tax paid in respect of dividend income due to change in tax position of FY 2020-21	(82.71)	-
Previous year related principal receipt which was written-off in previous years *	(91.00)	-
Others	(17.64)	31.92
Income tax expense (as per statement of profit and loss)	**632.32**	**753.04**

* The Company has received income tax refunds during the years. The difference between the refunds so received toward principal and tax receivable as per books is recorded as tax for the earlier years. Interest amounting to ₹ 155.71 million has been recorded under the head other income

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

31 RESEARCH AND DEVELOPMENT EXPENSES

	For the year ended 31st March 2022	For the year ended 31st March 2021
Revenue expenditure charged to statement of profit and loss		
– Revenue and development expenditure charged to statement of profit and loss	269.98	137.38
– Capital expenditure	171.74	777.65
Total research expenses	**441.72**	**915.03**

32 FAIR VALUE MEASUREMENTS

a) Financial instruments by category

	For the year ended 31st March 2022			For the year ended 31st March 2021		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Trade receivables	–	–	4,374.88	–	–	3,986.43
Cash and bank balances	–	–	394.57	–	–	50.37
Other financial assets	–	–	98.67	–	–	60.51
Derivative financial assets	29.49	–	–	147.87	–	–
Current Investments	58.32	–	–	–	–	–
Total financial assets	**87.81**	**–**	**4,868.12**	**147.87**	**–**	**4,097.31**
Financial liabilities						
Borrowings	–	–	705.17	–	–	3,662.59
Trade payables	–	–	1,859.78	–	–	1,943.86
Other financial liabilities	–	–	872.95	–	–	215.42
Lease liabilities	–	–	763.94	–	–	782.04
Total financial liabilities	**–**	**–**	**4,201.84**	**–**	**–**	**6,603.90**

b) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial investments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath.

i) Assets and liabilities measured at fair value - recurring fair value measurements

	Level 1	Level 2	Level 3
As at 31st March 2022			
Foreign exchange forward contracts- asset	–	29.49	–
Total financial assets	**–**	**29.49**	**–**
As at 31st March 2021			
Foreign exchange forward contracts- asset	–	147.87	–
Total financial liabilities	**–**	**147.87**	**–**
Investments measured at fair vlaue through other comprehensive income	–	–	19.00
Total financial assets	**–**	**–**	**19.00**

ii) Fair value of instruments measured at amortised cost

	Level	As at 31st March 2022		As at 31st March 2021	
		Carrying value	Fair value	Carrying amount	Fair value
Financial assets					
Trade receivables	Level 3	4,374.88	4,374.88	3,986.43	3,986.43
Cash and bank balances	Level 3	394.57	394.57	50.37	50.37
Other financial assets	Level 3	98.67	98.67	60.51	60.51
Total financial assets		**4,868.12**	**4,868.12**	**4,097.31**	**4,097.31**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

ii) Fair value of instruments measured at amortised cost

	Level	As at 31st March 2022		As at 31st March 2021	
		Carrying value	Fair value	Carrying amount	Fair value
Financial liabilities					
Borrowings	Level 3	705.17	705.17	3,662.59	3,662.59
Trade payable	Level 3	1,859.78	1,859.78	1,943.86	1,943.86
Other financial liability	Level 3	872.95	872.95	215.42	215.42
Total financial liabilities		**4,201.84**	**4,201.84**	**6,603.90**	**6,603.90**

There are no transfers amongst levels during the year.

Level 1: It includes financial instruments measured using quoted prices in active markets for identical assets or liabilities.

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs other than Level 1 inputs; and

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

33 FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to provide finance to the Company to support its operations. The Company's principal financial assets include loans, trade and other receivables; cash and bank balances etc. that derive directly from its operations.

The Company's activities expose it to the financial risk of market risk, credit risk and liquidity risk. The Company enters into a certain derivative financial instrument to manage its exposure to foreign currency. There have been no major changes to the Company's exposure to market risk or the manner in which it manages and measures the risk in recent past. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

(A) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to discharge an obligation to the Company. The Company's maximum exposure to credit risk is limited to the carrying amount of following types of financial assets.

- Cash and cash equivalents
- Trade receivables
- Loans carried at amortised cost, and
- Other financial assets
- Derivative financial assets"

(a) Credit Risk Management

(i) Credit risk rating

The Company assesses and manages credit risk of financial assets based on following categories arrived on the basis of assumptions, inputs and factors specific to the class of financial assets.

a) Low credit risk

b) Moderate credit risk

c) High credit risk

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions. Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Company. The Company continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

The Company provides for expected credit loss based on the following:

Asset group	Categorisation of items	Provision for expenses credit loss
Low credit risk	Cash and cash balances, loans, other financial assets and derivative financial assets	12 month expected credit loss/life time expected credit loss
Moderate credit risk	Trade receivables	Other financial assets-12 month expected credit loss,unless credit risk has increased significantly since initial recognition, in which case allowance is measured at lifetime expected credit loss.
High credit risk	Other financial assets	Other financial assets-lifetime expected credit loss (when there is a significant deterioration), or specific provision, whichever is higher.

In respect of trade receivables that result from contracts with customers, loss allowance is always measured at lifetime expected credit losses.

Financial assets that expose the entity to credit risk –

Credit rating	Particulars	As at 31st March 2022	As at 31st March 2021
Low credit risk	Loans		
	Cash and bank balances	394.57	50.37
	Other financial assets	98.67	60.51
	Investment	58.32	-
	Derivative financial assets	29.49	147.87
Moderate credit risk	Trade receivables*	4,374.88	3,986.43

*This represent carrying values after deduction for doubtful debt provisions

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country. In respect of derivative assets, the credit risk is considered negligible as counterparties are banks.

Trade receivables

To mitigate the credit risk related to trade receivables, the Company closely monitors the credit-worthiness of the trade receivables through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Company assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become past due.

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost includes security deposits, other receivables etc. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system in place ensure the amounts are within defined limits.

(b) Expected credit losses for financial assets (other than trade receivables)

(i) Financial assets (other than trade receivables)

Company provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses.

For cash & cash equivalents and other Bank balances - Since the Company deals with only High-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as low.

For loans comprising security deposits paid - Credit risk is considered low because the Company is in possession of the underlying asset.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

For other financial assets - Credit risk is evaluated based on Company knowledge of the Credit worthiness of those parties and loss allowance is measured. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the Company can draw to apply consistently to entire population. For such financial assets, the Company policy is to provide for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk. The Company does not have any expected loss based impairment recognised on such assets.

ii) Expected credit loss for trade receivables under simplified approach

The Company recognises lifetime expected credit losses on trade receivables using a simplified approach. In accordance with Ind AS 109, the Company uses expected credit loss model to assess the impairment loss. The Company uses a provision matrix to compute the expected credit loss allowance of trade receivables. The provision matrix takes into account available external and internal credit risk factors such as default risk of industry, historical experience for customers etc. However, the allowance for lifetime expected credit loss on customer balances for the period ended 31st March 2022, and for the years ended 31st March 2021 is insignificant.

Reconciliation of loss allowance

	31st March 2022	31st March 2021
At the beginning of year	2.97	3.94
Movement during the year	4.45	(0.97)
Total expected credit loss allowance	**7.42**	**2.97**

(B) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at reasonable price. The Company's objective is to at all times maintain optimum levels of liquidity to meet its cash and liquidity requirements. The Company closely monitors its liquidity position and maintains adequate source of financing through the use of short-term bank deposits, demand loans and cash credit facility. Processes and policies related to such risks are overseen by senior management.

(i) Maturities of financial liabilities

The table below provides details regarding the contractual maturities of significant financial liabilities:

Contractual maturities of financial liabilities: (undiscounted)

	Less than 1 year	1 to 5 years	More than 5 years	Total
31st March 2022				
Borrowings	291.07	479.45	–	770.51
Trade payables	1,859.78	–	–	1,859.78
Other financial liabilities	874.86	–	–	874.86
Lease liabilities	98.04	432.99	797.57	1,328.59
Total	**3,123.75**	**912.42**	**797.57**	**4,833.74**

	Less than 1 year	1 to 5 years	More than 5 years	Total
31st March 2021				
Borrowings	1,902.69	2,129.88	88.58	4,121.15
Trade payables	1,943.86	–	–	1,943.86
Other financial liabilities	231.49	–	–	231.49
Lease liabilities	93.85	416.99	911.61	1,422.44
Total	**4,171.89**	**2,546.87**	**1,000.19**	**7,718.94**

(ii) Undrawn borrowing facilities

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	31st March 2022	31st March 2021
Expiring within one year (bank loans)	**1,567.85**	**670.99**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

(C) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risks, such as equity price risk and commodity price risk. Financial instruments affected by market risks include loans and borrowings, deposits and foreign currency receivables and payables. The sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to risk of changes in borrowing rates. The Board continuously monitors the prevailing interest rates in the market.

Interest rate risk exposure

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

Particulars	31st March 2022	31st March 2021
Variable rate borrowings	705.17	3,634.39
Fixed rate borrowings	–	28.20
Total borrowings	**705.17**	**3,662.59**

Sensitivity

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

Particulars	31st March 2022	31st March 2021
Interest rate increase by 1.00% (31st March 2021: 1.00%)*	16.24	23.79
Interest rate decrease by 1.00% (31st March 2021: 1.00%)*	(16.24)	(23.79)

*Holding other variables constant

(ii) Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the trade receivables and payables. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (₹).

The Company's exposure to foreign currency risk at the end of the reporting period expressed as follows:

Foreign currency	31st March 2022	31st March 2021
Trade receivables and others		
United States Dollar (USD)	28.88	30.47
Euro (EUR)	0.71	0.54
Others	–	0.08
Trade payables		
United States Dollar (USD)	1.27	3.60
Euro (EUR)	0.05	0.17
Japanese Yen (JPY)	0.62	76.77
Canadian Dollar (CAD)^	–	0.00
Swiss Franc (CHF)	0.01	0.06
Others	0.03	0.06

^Rounded off to Nil

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

Indian Rupee (₹)	31st March 2022	31st March 2021
Trade receivables and others		
United States Dollar (USD)	2,189.11	2,227.59
Euro (EUR)	59.64	46.49
Others	–	0.65
Trade payables		
United States Dollar (USD)	95.94	262.91
Euro (EUR)	4.54	14.60
Japanese Yen (JPY)	0.38	50.76
Canadian Dollar (CAD)^	–	0.15
Swiss Franc (CHF)	0.82	4.63
Others	–	5.62

^Rounded off to Nil

Indian Rupee (₹)	31st March 2022	31st March 2021
Outstanding forward contracts as at the reporting date (Million USD)	88.97	96.02
Outstanding forward contracts as at the reporting date (₹)	6,872.34	7,242.86

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:-

Impact on profit after tax	31st March 2022	31st March 2021
Net currency receivables/(payables)		
USD sensitivity		
₹/USD- increase by 1.00% (31st March 2021: 1.00%)*	15.66	14.70
₹/USD- decrease by 1.00% (31st March 2021: 1.00%)*	(15.66)	(14.70)
EUR sensitivity		
₹/EURO- increase by 1.00% (31st March 2021: 1.00%)*	0.41	0.24
₹/EURO- decrease by 1.00% (31st March 2021: 1.00%)*	(0.41)	(0.24)
JPY sensitivity		
₹/JPY- increase by 1.00% (31st March 2021: 1.00%)*	(0.00)	(0.38)
₹/JPY- decrease by 1.00% (31st March 2021: 1.00%)*	0.00	0.38
CAD sensitivity		
₹/CAD- increase by 1.00% (31st March 2021: 1.00%)*	–	(0.00)
₹/CAD- decrease by 1.00% (31st March 2021: 1.00%)*	–	0.00
CHF sensitivity		
₹/CHF- increase by 1.00% (31st March 2021: 1.00%)*	(0.01)	(0.03)
₹/CHF- decrease by 1.00% (31st March 2021: 1.00%)*	0.01	0.03

* Holding other variables constant

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

34 CAPITAL MANAGEMENT

For the purposes of the Company's capital management, capital includes equity attributable to the equity holders of the Company and all other equity reserves. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and maximise shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Companymay adjust the dividend payment to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements.

The Company monitors capital using net debt to equity ratio, which is net debt (as reduced by cash and cash equivalent) divided by total equity.

	As at 31st March 2022	As at 31st March 2021
Long-term borrowings including current maturities (refer note 15)	450.00	2,501.54
Short-term borrowings (refer note 15)	253.26	1,144.97
Less: Cash and cash equivalents (refer note 11)	(202.14)	(49.15)
Net debts *	**501.12**	**3,597.36**
Equity share capital (refer note 13)	5,843.53	5,729.80
Other equity (refer note 14)	13,888.02	7,879.73
Total equity	**19,731.55**	**13,609.53**
Net Gearing ratio	**2.54%**	**26.43%**

* Excluding lease liabilities

Dividends	For the year ended 31st March 2022	For the year ended 31st March 2021
Equity share		
Interim dividend of ₹ 0.77 per each 584,352,710 equity share	449.95	-
Interim dividend of ₹ 9.634 per each 47,748,380 equity share	-	460.00
Interim dividend of ₹ 9.299 per each 47,748,380 equity share	-	444.00
	449.95	**904.00**

The Board of Directors of the Company in its meeting held on 5th May 2022 has approved and declared final dividend of ₹ 0.77/- i.e (7.7%) per equity share of the Company having face value of ₹ 10/- each for the financial year 2021-22.

35 SEGMENT INFORMATION

The Company's operating business is organised and managed according to a single primary reportable business segment namely "Automotive Components". The Company has opted to provide segment information in its consolidated Ind AS financial statements in accordance with para 4 of Ind AS 108 - Operating Segments.

36 RELATED PARTY DISCLOSURES

In accordance with the requirement of Indian Accounting Standard (Ind AS) 24 "Related Party Disclosures", name of the related parties, related party relationships, transactions and outstanding balances including commitments where control exist and with whom transactions have taken place during the reported period are as follows:

(a) Names of related parties and nature of relationship

(i) Entity exercising control of Company

Singapore VII Topco III Pte Ltd. (with effect from 5th July 2019 till 21st June 2021)

(ii) The entity having substantial interest in the Company

Sona Autocomp Holding Private Limited

Singapore VII Topco III Pte Ltd. (with effect from 21st June 2021)

(iii) Ultimate holding Company

BCP Topco I Pte Ltd.(till 21st June 2021)

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

(iv) Key Management Personnel

Name	Designation
Mr. Vivek Vikram Singh	Managing Director & Group CEO
Mr. Vikram Verma Vadapalli	Chief Executive Officer (Driveline Business)
Mr. Sat Mohan Gupta	Chief Executive Officer (Motor business)
Mr. Rohit Nanda	Group Chief Financial Officer
Mr. Ajay Pratap Singh	Vice President (Legal) & Company Secretary
Mr. Santhana Krishnan Gopalan	Chief Financial Officer of merged entity (Refer Note 48) (till 28th January 2022)
Mr. Hari Prasath K	Company Secretary of merged entity (Refer Note 48) (till 18th January 2021)
Non-Executive Directors	
Mr. Sunjay Kapur	Non-executive Chairman
Mr. Prasan Abhaykumar Firodia	Independent director
Mr Subbu Venkata Rama Behara	Independent director
Mrs Pallavi Joshi Bakhru	Independent director (till 2nd May 2020)
Mr. Amit Dixit	Director
Mr. Amit Jain	Director (with effect from 5th July 2019 till 1st January 2021)
Mr. Neeraj Mohan	Director (with effect from 5th July 2019 till 12th February 2021)
Mr. Ganesh Mani	Director
Mrs Shradha Suri	Independent director (with effect from 5th August 2020)
Mr. Jeffrey Mark Overly	Independent Director (with effect from 12th February 2021)
Relative fo KMP	
Mr. Tanay Gupta	Son of Mr. Sat Mohan Gupta

(v) Entities over which key management personnel are able to exercise significant influence and with whom transactions have taken place during the year

Sona Mandhira Private Limited (Previously known as Mandira Marketing Private Limited)
Harpreet Motors Private Limited

(vi) Subsidiary companies

Comstar Automotive Hongkong Limited
Comstar Automotive USA LLC
Comstar Automotive Technologies Services Private Limited
Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V
Comstar Automotive (Hangzhou) Co., Ltd.
Comstar Hong Kong Mexico No. 1, LLC
Comestel Automotive Technologies Mexicana Ltd.
Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V
Sona Comstar eDrive Private Limited (with effect from 12th November 2020)

(b) Transactions with related parties :

(i) Entity exercising control

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Dividend paid		
Singapore VII Topco III pte Ltd.	–	599.18

(ii) Entity having substantial interest

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Dividend paid		
Sona Autocomp Holding Private Limited	153.51	304.84
Singapore VII Topco III pte Ltd.	148.77	–
Relinquishment of right of put option (refer note 48)		
Sona Autocomp Holding Private Limited	–	19.00
Reimbursement of IPO expenses		
Singapore VII Topco III pte Ltd.	359.69	–

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

(iii) Entity having substantial interest

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Managerial remuneration		
Mr. Vivek Vikram Singh	30.85	31.70
Mr. Vikram Verma Vadapalli	30.63	28.39
Mr. Rohit Nanda	24.09	26.13
Mr. Ajay Pratap Singh	7.13	6.74
Mr. Sat Mohan Gupta	18.17	24.41
Mr. Santhana Gopalan K	3.21	3.91
Mr. Tanay Gupta	1.75	1.59
Mr. Hariprasath K	–	1.31
Issue of equity shares under ESOP Scheme		
Mr. Vivek Vikram Singh	8.46	–
Mr. Vikram Verma Vadapalli	6.10	–
Mr. Rohit Nanda	4.57	–
Mr. Ajay Pratap Singh	1.52	–
Mr. Sat Mohan Gupta	6.10	–
Mr. Santhana Gopalan K	0.31	–
Director Sitting Fee		
Non-executive director	5.06	3.60
Commission		
Non-executive director	36.36	27.71
Dividend paid		
Mr. Vikram Verma Vadapalli	0.06	–
Mr. Ajay Pratap Singh	0.01	–
Mr. Sat Mohan Gupta	0.04	–
Mr. Santhana Gopalan K	0.01	
Mrs. Shradha Suri	#	–
Sale of Vehicles		
Mr. Vivek Vikram Singh	0.17	–

*Break- up of Key management personnel remuneration

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Short-term employee benefits	115.83	124.18

* Including provident fund, leave encashment and any other benefit.

* Share based payment to Key Managerial Personnel for the period ended 31st March 2022 is ₹ 43.24 million (31st March 2021 is ₹ 29.11 million) (refer note 45)

* Gratuity and leave encashment amounts accrued attributable to key management personnel cannot be separately determined and hence not included in transactions above.

* The shareholders, in the Annual General Meeting (AGM) held on 9th September 2021 had approved the Exit Return Incentive (ERI) Plan for payment of awards by Singapore VII Topco III PTE. Ltd. (Singapore VII) to certain identified employees of the Group. Accordingly, Singapore VII has made payment of awards to such identified employees between 14th September 2021, to 27th September 2021. There is however no financial impact of such payments on the Company.

Number less than ₹ 10,000

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

(iv) Entities over which key management personnel are able to exercise significant influence and with whom transactions have taken place during the year/previous year

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Sale of goods		
Sona Mandhira Private Limited (Previously known as Mandira Marketing Private Limited)	–	0.14
Services received		
Harpreet Motors Private Limited	0.01	–

(v) Subsidiary companies

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Dividend Received		
Comstar Automotive USA LLC	312.73	346.39
Rent Received		
Sona Comstar Edrive Pvt Ltd.	0.07	–
Corporate Guarantee given		
Sona Comstar Edrive Pvt Ltd.	83.23	–
Reimbursement of expense incurred by related party		
Comstar Automotive USA LLC	–	2.22
Comstar Automotive Technology Services Private Limited	–	0.01
Reimbursement of expenses incurred by Holding Company		
Sona Comstar Edrive Pvt Ltd.	5.71	–
Investment in the shares		
Sona Comstar Edrive Private Limited	14.90	0.10
Purchase of Goods		
Comestel Automotive Technologies Mexicana Ltd.	–	2.00
Sale of goods		
Comstar Automotive USA LLC	610.30	666.02
Comestel Automotive Technologies Mexicana Limited	368.11	398.67
Comstar Automotive Hangzhou Co. Ltd.	90.96	51.25

(c) Details of balances with related parties at year end

(i) Key Management Personnel

Transactions	As at 31st March 2022	At at 31st March 2021
Payables		
Mr. Vivek Vikram Singh	8.71	–
Mr. Rohit Nanda	4.82	–
Mr. Vikram Verma Vedapalli	9.60	–
Mr. Jeffrey Mark Overly	4.04	0.53
Mr. Ajay Pratap Singh	1.47	–

(ii) Subsidiary companies

Transactions	As at 31st March 2022	At at 31st March 2021
Receivable		
Comstar Automotive USA LLC	83.21	102.40
Comestel Automotive Technologies Mexicana Ltd.	277.07	214.77
Comstar Automotive Hangzhou Co. Ltd.	116.90	42.92

Terms and conditions

All the transactions were made on normal commercial terms and conditions and at market rates except as disclosed in note 48. All outstanding balances are unsecured.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

37 EARNINGS PER SHARE

	31st March 2022	31st March 2021
Total profit attributable to the equity holders of the Group used for basic and diluted earnings per share (A)	3,535.38	2,160.39
Total number of equity shares at the beginning of the year	57,29,80,560	4,71,53,944
Issue of shares	1,13,72,150	–
Conversion of compulsory convertible preference shares into equity shares	–	5,94,436
Bonus shares issued during the year	–	52,52,32,180
Total number of equity shares at the end of the year	**58,43,52,710**	**57,29,80,560**
Effect of exercise of share options (refer note 45)	3,43,775	1,92,634
Total number of equity shares (including options) at the end of the year	**58,46,96,485**	**57,31,73,194**
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	58,15,29,094	57,29,80,560
Weighted average number of equity shares used as the denominator in calculating basic earnings per share (B)	**58,15,29,094**	**57,29,80,560**
Effect of exercise of share options	3,43,775	1,92,634
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share (C)	**58,18,72,869**	**57,31,73,194**
Nominal Value per share (in ₹)	10.00	10.00
(a) Basic earnings per share (in ₹)	6.08	3.77
(b) Diluted earnings per share (in ₹)	6.08	3.77
Earning per share (both basic and diluted) has been restated for both the years presented on account of issue of bonus shares (refer note 13)		

38 EMPLOYEE BENEFITS

A. Defined contribution plans:

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
a) Provident fund	86.80	60.07
b) Employees state insurance corporation	0.32	0.62
c) Punjab/Haryana labour welfare fund	0.25	0.22
d) National Pension Scheme	8.20	7.47
	95.57	**68.38**

B. Defined benefit plans:

(i) Gratuity

The Company operates post retirement defined benefit plan for retirement gratuity, which is funded. The Company through the gratuity trust has taken Company gratuity policy of Life Insurance Corporation of India Gratuity Scheme.

Details of changes and obligation under the defined benefit plan is given as below:-

I. Expense recognised in the statement of profit and loss

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Current service cost	20.52	19.38
(ii) Past service cost	–	3.46
(iii) Interest cost	6.46	5.56
(iv) Expected return on plan assets	(5.07)	(4.97)
Net expense recognised in the statement of profit and loss	**21.91**	**23.43**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

II. Remeasurement (gain)/loss recognised in other comprehensive income

Particulars		For the year ended 31st March 2022	For the year ended 31st March 2021
(i)	Actuarial changes arising from changes in demographic assumptions	(10.37)	0.43
(ii)	Actuarial changes arising from changes in financial assumptions	16.85	(9.56)
(iii)	Actuarial changes arising from changes in experience adjustments	9.81	4.59
(iv)	Return on plan assets greater than discount rate	(0.89)	(0.16)
Net expense recognised in other comprehensive income		**15.40**	**(4.70)**

III. Remeasurement (gain)/loss recognised in other comprehensive income

Particulars		For the year ended 31st March 2022	For the year ended 31st March 2021
(i)	Opening balance	219.41	86.54
	Effect of business combination	–	108.09
	Opening balance (post business combination)	**219.41**	**194.62**
(ii)	Current service cost	20.52	19.38
(iii)	Past service cost	–	3.46
(iv)	Interest cost	14.11	11.21
(v)	Benefit payments directly by employer	(3.38)	(2.80)
(vi)	Actuarial (gain)/loss	15.40	(4.70)
(vii)	Benefit payments from plan assets	(2.40)	(1.78)
	Present value of obligation as at year end	**263.66**	**219.42**

IV. Changes in plan assets

Particulars		For the year ended 31st March 2022	For the year ended 31st March 2021
(i)	Fair value of plan assets as at the beginning of the period	190.68	79.60
	Effect of business combination	–	84.28
	Fair value of plan assets as at the beginning of the period (post business combination)	**190.68**	**163.88**
(ii)	Interest income	11.86	10.49
(iii)	Contributions by employer	26.87	20.73
(iv)	Benefit payments from plan assets	(5.77)	(4.58)
(v)	Actuarial gain/(loss) on plan assets	0.89	0.16
	Fair value of plan assets	**224.53**	**190.68**

V. Net assets / liabilities

Particulars		For the year ended 31st March 2022	For the year ended 31st March 2021
(i)	Present value of obligation at the end of the year	263.67	219.42
(ii)	Fair value of plan assets at the end of the year	224.52	190.68
(iii)	Net liabilities recognised in the balance sheet		
	– Non-current	0.36	2.62
	– Current	38.80	26.13

VI. Experience adjustment

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Experience adjustment loss on plan liabilities	5.60	6.27

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

VII. Investment details

The Company has invested in gratuity funds which is administered through Life Insurance Corporation of India. The detail of investment maintained by Life Insurance Corporation are not made available to the Company and have therefore not been disclosed.

VIII. Principal actuarial assumptions

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Discount rate (per annum)	6.00-6.20%	6% to 6.40%
Expected return on plan assets (per annum)	7.15%	5.90%
Expected increase in salary costs (per annum)	8.00-8.50%	7.00% to .008%
Attrition rate	15.00-17.00%	9.00-15.00%
Mortality	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate
Retirement age	58 years	58 years

IX Quantitative sensitivity analysis for significant assumptions is as below:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

Particulars	Impact on defined benefit obligation	
	For the year ended 31st March 2022	For the year ended 31st March 2021
Delta effect of +1% change in rate of discounting	(13.48)	(14.34)
Delta effect of -1% change in rate of discounting	14.46	15.53
Delta effect of +1% change in rate of salary increase	14.09	15.26
Delta effect of -1% change in rate of salary increase	(13.33)	(14.29)

X Maturity profile of defined benefit obligation (undiscounted)

	For the year ended 31st March 2022	For the year ended 31st March 2021
Within the next 12 months (next annual reporting period)	43.35	26.47
Between 2 and 5 years	134.51	94.07
Between 6 and 10 years	108.24	88.77
Total expected payments	**286.10**	**209.31**

XI The average duration of the defined benefit plan obligation at the end of the reporting period is 6.30 - 9 years (31st March 2021: 6.28 - 9 years)

XII The estimates of rate of escalation in salary considered in actuarial valuation are after taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the Actuary. The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

XIII Plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, employees are entitled to specific benefit at the time of retirement or termination of the employment on completion of five years or death while in employement. The level of benefit provided depends on the member's length of service and salary at the time of retirement/termination age

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

39 CONTINGENT LIABILITIES

			As at 31st March 2022	As at 31st March 2021
a)	Claims against the Company not acknowledged as debts			
	i)	Service tax		
		Cases pending before Appellate authorities in respect of which the Company has filed appeals/show cause notices. (FY 2005-06 to 2007-08)	0.47	0.47
	ii)	Income Tax*		
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2011-12)	4.21	4.21
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2012-13)	3.18	3.18
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2013-14)	2.12	2.12
		Cases pending before ITAT in respect of which the Company has filed appeal (AY-2016-17)	2.00	2.00
		Cases pending before CIT in respect of which the Company has filed appeal (AY-2017-18)**	77.25	70.78
		Cases pending before CIT in respect of which the Company has filed appeal (AY-2018-19)	2.28	–
		Demand raised by AO for which company intend to file appeal with CIT - Appeal for AY 2018-19	3.73	3.73
	(iii)	Central Excise Act, 1944		
		Case pending before Directorate General of Goods And Service Tax Intelligence in respect of which the Compay has filed appeals. (FY 2014-15 to FY 2017-18)	14.85	14.85
		* Amount paid under protest of ₹ 24.48 million (31st March 2021: ₹ 24.48 million)		
		** Total disputed amount of the case is ₹ 85.88 million(including interest liability) out of which ₹ 8.63 million (including interest liability) has been provided as a provision and balance amount of ₹ 77.25 million (including interest liability) is being disclosed as a contingent liability.		
		As trial date has not yet been set and therefore it is not practicable to state the timing of the payment, if any.		
b)	There are labour cases pending before High Court and Labour Commissioner/Officer. The Company has been legally advised that the cases filed by the employees are not sustainable in law and accordingly no provision has been made therefor. Moreover no monetary claim was filed or is pending.			
c)	Duty paid and related export obligation status with respect to EPCG licenses which is six times of the duty saved, obtained by the Company are as under :			

	As at 31st March 2022	As at 31st March 2021
Export obligation pending (₹ million)	4,429.60	2,903.78

40 CAPITAL COMMITMENTS

	As at 31st March 2022	As at 31st March 2021
Estimated amount of contracts to be executed on capital account not provided for (net of advances)	758.69	1,543.48

41 DUES TO MICRO AND SMALL ENTERPRISES

		As at 31st March 2022	As at 31st March 2021
a)	Principal amount due to suppliers registered under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED) and remaining unpaid as at year end	382.65	491.71
b)	the amount of interest paid by the buyer in terms of Section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	–	–
c)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	–	–
d)	Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	–	–
e)	the amount of interest accrued and remaining unpaid at the end of each accounting year;	4.33	3.84
f)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	4.33	3.84

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

42 DISCLOSURE REQUIRED BY SECTION 186(4) OF THE COMPANIES ACT, 2013

	As at 31st March 2022	Maximum amount outstanding during the year	As at 31st March 2021	Maximum amount outstanding during the year
Details of investment made in Comstar Automotive USA LLC	1,248.90	1,248.90	1,248.90	1,248.90
Details of investment made in Comstar Automotive Technology Services Private Limited	73.80	73.80	73.80	73.80
Details of investment made in Comstar Automotive Hong Kong Ltd.	229.45	229.45	229.45	229.45
Details of investment made in Sona Comstar eDrive Private Limited	15.00	15.00	0.10	0.10
Details of corporate guarantee given on behalf of Sona Comstar eDrive Private Limited*	83.23	83.23	–	–

* Corporate guarantee given to a vendor

43 LEASES

i) The Company has entered into lease arrangements for land, building and plant and machinery that are renewable on a periodic basis with approval of both lessor and lessee.

ii) The Company does not have any lease commitments towards variable rent as per the contract.

iii) Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over land and building the Company must keep those properties in a good state of repair and return the properties in their original condition, except for normal wear and tear, at the end of the lease. Further, the Company shall insure items owned by it and incur maintenance fees on such items in accordance with the lease contracts.

iv) Lease liabilities are presented in the statement of financial position as follows:

Particulars	As at 31st March 2022	As at 31st March 2021
Current	98.04	93.85
Non-current	665.91	688.18
	763.95	**782.04**

v) Future minimum lease payments are as follows:

Particulars	As at 31st March 2022		
Minimum lease payments due	**Lease payments**	**Finance charges**	**Net present values**
Within 1 year	98.04	67.88	30.15
1-5 years	432.99	196.07	236.92
More than 5 years	797.57	300.69	496.88
	1,328.60	**564.64**	**763.95**

Particulars	As at 31st March 2021		
Minimum lease payments due	**Lease payments**	**Finance charges**	**Net present values**
Within 1 year	93.85	75.67	18.18
1-5 years	416.99	224.57	192.41
More than 5 years	911.61	340.17	571.44
	1,422.45	**640.41**	**782.04**

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

vi) The following are amounts recognised in profit or loss:-

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Depreciation expense of right-of-use assets	72.73	66.80
Interest expense on lease liabilities	76.19	69.62
Rent expense (relating to short-term leases on which lease liability is not recognised)	31.43	21.15
Total	**180.35**	**157.57**

vii) Total cash outflow pertaining to leases

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Total cash outflow pertaining to leases during the year ended	**94.65**	**83.86**

The Company determines the leases term as either the non-cancellable period of the lease and any additional periods when there is an enforceable option to extend the lease and it is reasonably certain that the Company will extend the term, or a lease period in which it is reasonably certain that the Company will not exercise a right to terminate. The lease term is reassessed if there is a significant change in circumstances.

44 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

The Company has performed a disaggregated analysis of revenues considering the nature, amount, timing and uncertainty of revenues. This includes disclosure of revenues by geography and timing of recognition.

Revenue from operations	For the year ended 31st March 2022	For the year ended 31st March 2021
Revenue by geography		
Domestic	7,996.50	5,268.97
Export	10,422.48	7,984.66
Total	**18,418.98**	**13,253.63**
Revenue (timing)		
Revenue recognised at point in time	18,377.48	13,253.63
Revenue recognised over a period	41.50	–
Total	**18,418.98**	**13,253.63**

(b) Liabilities related to contracts with customers

Revenue from operations	As at 31st March 2022	As at 31st March 2021
Opening balance	91.66	53.05
Income recognised from advance	(126.31)	(23.52)
Advance received from customers during the year	191.62	62.13
Advance from customers and contract liability (refer note 20)	**156.97**	**91.66**

(c) Reconciliation of revenue recognised in Statement of Profit and Loss with Contract price

There are insignificant discounts offered by the Company to its customers for the year ended 31st March 2022 ₹ 0.43 million (31st March 2021: ₹ 1.26 million).

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

45 SHARE BASED PAYMENTS

Employee Stock Option Scheme Sona BLW Precision Forging Limited- 2020 ('Sona BLW ESOP Plan-2020') was approved by the shareholders of the Sona BLW Precision Forging Limited on 30th September 2020. The maximum number of Options to be granted under the Sona BLW ESOP Plan-2020 shall be 3,342,672 Options which shall upon exercise shall convert into maximum 3,342,672 Shares. The Sona BLW ESOP Plan entitles employees of the Company to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. A description of the share based payment arrangement of the Company is given below:

Particulars	**Sona BLW Precision Forging Limited Employee Stock Option Plan**
Exercise Price	₹ 38.34
Grant date	1st October 2020
Vesting schedule	1,087,740 options 12 months after the grant date ('First vesting')
	1,087,740 options 24 months after the grant date ('Second vesting')
	1,087,740 options 36 months after the grant date ('Third vesting')
Exercise period	Stock options can be exercised within a period of 3 years from vesting date.
Number of share options granted	32,63,220
	The total pool of Options that can be granted under the ESOP Plan is 3,342,672 (Thirty three lakhs forty two thousand six hundred seventy two) Options out of which 3,263,220 (Thirty two lakhs sixty three thousand two hundred twenty) options were granted to the employees.
Method of settlement	Equity

Stock options will be settled by issue of equity shares of the Company. As per the plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 38.34 per option which against the fair market value of ₹ 79.17 per share determined on the date of grant, i.e. 1st October 2020.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair values of options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans along with other external inputs. Expected volatility has been determined by reference to the average volatility for comparable companies for corresponding option term. Total Company share based payment to employees amounting ₹ 66.61 million for the year ended 31st March 2022 (₹ 45.37 million for the year ended 31st March 2021) is recognised in the statement of profit and loss of the Company pertaining to options issued to employees of the Company . The following principal assumptions were used in the valuation: Expected volatility was determined by comparison with peer companies, as the Company's shares were not public traded at that time. The expected option life and average expected period to exercise, is assumed to be equal to the contractual maturity of the option. Dividend yield is taken as 1.6% based on the expected dividend payout by the management. The risk-free rate is the rate associated with a risk-free security with the same maturity as the option. At each balance sheet date, the Company reviewed its estimates of the number of options that are expected to vest. The Company recognises the impact of the revision to original estimates, if any, in the profit or loss in standalone statement of comprehensive income, with a corresponding adjustment to 'retained earnings' in equity. The fair value of option using Black Scholes model and the inputs used for the valuation for options that have been granted during the reporting period are summarised as follows:

Particulars	**First vesting**	**Second vesting**	**Third vesting**
Grant date	1st October 2020	1st October 2020	1st October 2020
Vesting date	1st October 2021	1st October 2022	1st October 2023
Expiry date	1st October 2024	1st October 2025	1st October 2026
Fair value of option at grant date using Black Scholes model	44.38	46.28	47.72
Exercise price	38.34	38.34	38.34
Expected volatility of returns	46.19%	46.63%	46.51%
Term to expiry	2.5 years	3.5 years	4.5 years
Expected dividend yield	1.60%	1.60%	1.60%
Risk free interest rate	4.64%	5.04%	5.23%

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

During the year ended 31st March 2021, the Board of Directors of the Company has approved the issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each. Accordingly number of options has been increased to twelve times of original options and fair value and exercise price of options has been reduced to one twelth from previous values.

The total outstanding and exercisable share options and weighted average exercise prices for the various categories of option holders during the reporting periods are as follows:

Particulars	Details
Options outstanding at the beginning of the period	3,263,220
Number of employees to whom options were granted	62
Options vested	1,081,764
Options exercised	1,062,872
Options forfeited/ lapsed/ cancelled	17,928
Option expired during the year	Nil
Options outstanding	Vested:18892
Options outstanding	Unvested: 21,63,528
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options) (only for vested options)	1,062,872
Variation in terms of options	Per ESOP scheme
Money realised by exercise of options (in ₹ million)	40,750,512
Options outstanding at the period end	2,182,420
Options exercisable at the period end	18,892
Total number of options in force (excluding options not granted)	2,182,420
Weighted average remaining contractual life of outstanding options (in years)	4.00

Method used for accounting of share-based payment plans	The employee compensation cost has been calculated using the fair value method of accounting for Options issued under the Sona BLW ESOP Plan. The employee compensation cost as per fair value method for the year ended 31st March 2022 is ₹ 66.60 million (for the year ended 31st March 2021 was ₹ 45.37 million)
Nature and extent of employee share based payment plans that existed during the period including the general terms and conditions of each plan	Each Option entitles the holder thereof to apply for and be allotted one Ordinary Shares of the Company upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from grant date
Employee wise details of options granted to	
(i) Key Managerial Personnel	Mr. Vivek Vikram Singh Mr. Rohit Nanda Mr. Ajay Pratap Singh Mr. Vikram Verma Vadapalli Mr. Sat Mohan Gupta Mr. Santhana Gopalan K Share based payment to Key Managerial Personnel for the year ended 31st March 2022 is ₹ 43.24 million (31st March 2021 was ₹ 29.11 million)
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	None
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	No options were granted to any identified employees during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

46 GOODWILL AND BRAND IMPAIRMENT TESTING

Goodwill

As mentioned in the below note no. 49 company has recognised an amount of ₹ 1,582.24 million as Goodwill including assembled workforce and future customers. Annual test for impairment of goodwill was carried out as at 31st March 2022 and 31st March 2021, details of which are outlined below. The outcome of the test indicated that the value in use of business was higher than its carrying value in those CGU's (Cash generating unit). Accordingly, no impairment charge has been recognised in the standalone statement of profit and loss.

The recoverable amount of each CGU was determined based on value-in-use calculations using a discount rate ranging between 12%-14% reflecting current market assessments of the time value of money and risks specific to the business, covering a detailed five-year forecast , followed by an extrapolation of expected cash flows using a terminal growth rate of approximately 3%- 4% as determined by the management.

Brand

On 1st August 2018, the Company acquired SONA Intellectual property rights ("Sona IP") and all intellectual property rights thereto from SONA Management Services Limited ("SMSL") having indefinite useful lives. This was due to the expectation of permanent use of acquired brand. The Company tests on an annual basis whether the brand is impaired based on the value-in-use concept of the entity basis certain inputs outlined below. In March 2022 and March 2021, there was no impairment identified for the brand. The recoverable amount of the entity was determined on the basis of value in use based on the present value of the expected future cash flows. This calculation uses cash flow projections based on the financial planning covering a five-year period in total. The management believes that any reasonable possible changes in the key assumptions would not cause the Brand's carrying amount to exceed its recoverable amount.

The recoverable amount of the brand was determined based on value-in-use calculations for the company using a discount rate ranging between 11%-15% reflecting current market assessments of the time value of money and risks specific to the business as at the respective dates, covering a detailed five-year forecast , followed by an extrapolation of expected cash flows using a terminal growth rate ranging between 3%-4% as determined by the management.

Intangible Asset

As per Note 4 to the standalone financial statements, the company had capitalised technology development expenditure of ₹ 402.13 million towards the development of hybrid starter motor (BSG technology) as at 1st Feb 2020. The development expenditure incurred towards Hybrid starter motor was put to impairment test as at 31st March 2022. The outcome of the test indicated that the value in use of the asset was higher than its carrying value of ₹ 308.74 million as at 31st March 2022. Accordingly, no impairment charge has been recognised in the standalone statement of profit and loss. The recoverable amount of was determined based on value-in-use calculations using a discount rate of 11.5% reflecting current market assessments of the time value of money and risks specific to the technology, covering a detailed five-year forecast.

Growth rates

The growth rates used are in line with the growth rate of the industry and the countries in which the entities operates and are consistent with the internal/external sources of information.

Discount rates

The discount rates take into the consideration market risk and specific risk factors of the entity. The cash flow projections are based on the forecasts made by the management.

Terminal growth rate

The terminal growth rate is the constant rate at which an entity is expected to grow at the end of the last forecasted cash flow period in a discounted cash flow model and goes into perpetuity.

Sensitivity

The management believes that any reasonable possible changes in the key assumptions would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

47 The Company has considered the possible effects that may arise out of the still unfolding COVID-19 pandemic on the carrying amounts of property, plant & equipment, intangible assets, investments, inventories, trade receivables, etc. For this purpose, the Company has considered internal and external sources of information up to the date of approval of the Standalone Financial Results. Based on the current estimates, the Company does not expect any significant impact on such carrying values. The Company will continue to closely monitor any material changes to future economic conditions .

48 RELINQUISHMENT OF RIGHT

In the board meeting on 12 Feb 2021 the board has approved waiver of the right to sell 19% shares in Sona Holding BV (put option) to Sona Autocomp at a pre-agreed consideration of ₹19 million and a waiver of the right to buy 81% shares in Sona Holding BV (call option) from Sona Autocomp at a pre-agreed formula based price defined in European Seperation Agreement. The decision was made taking cognisance of the situation that Sona Holding B.V, The Netherlands now has no business operations left in any of its subsidiaries. Put option waiver was approved as a transaction not at arm's length whereas waiver of call option was approved as a transation at arm's length. Accordingly, the carrying value for 19% investment in Sona B.V. of ₹19 million as on 31st March 2020, has been taken as ₹ Nil as at 31st March 2021 and the resultant fair value loss has been booked under other comprehensive income.

49 MERGER WITH COMSTAR AUTOMOTIVE TECHNOLOGIES PRIVATE LIMITED

The Hon'ble National Company Law Tribunal, Chandigarh Bench, vide order dated 7th January, 2022 ("Order"), has approved the Scheme of Amalgamation of Comstar Automotive Technologies Private Limited ('Wholly Owned Subsidiary") with Sona BLW Precision Forgings Limited ("Company") with effect from 5th July, 2019 ("Appointed Date") and the Order was filed by the Company with the Registrar of Companies, NCT of Delhi and Haryana on 28th January, 2022. Accordingly, the Company has accounted for the merger as mentioned in the Scheme retrospectively and restated numbers for period presented as prescribed in Appendix C of IND AS 103 - Business Combinations. Goodwill (including assembled workforce) and customer relationships, earlier recorded in the consolidated financial statements amounting to ₹ 1,582.24 million and ₹ 2,929 million are now recorded in standalone financial statements. Change in the tax base of customer relationship after the merger has resulted in creation of merger reserve amounting to ₹ 737.23 million

50 OTHER STATUTORY INFORMATION

(i) The Company do not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.

(ii) The Company do not have any transactions with companies struck off.

(iii) The Company do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,

(iv) The Company have not traded or invested in Crypto currency or Virtual Currency during the financial year.

(v) The Company have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

  (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or

  (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

(vi) The Company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

  (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

  (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries

(vii) The Company have not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961.

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

51 EXCEPTIONAL ITEM

As per the terms of contract with the Selling shareholders, all Initial Public Offering ('IPO') related expenses were to be borne by the Company and the Selling shareholders in proportion to the number of Equity Shares issued and/or transferred by each one of them in the IPO respectively. However, in the event that the Issue was withdrawn by the Company or not completed for any reason whatsoever, all the Issue related expenses would have to be solely borne by the Company.

During the year ended 31st March 2021, the Company had incurred expenses amounting to ₹ 143.23 million related to the proposed IPO of the company. Considering the fact that the recovery of expenses incurred was not virtually certain as on 31st March 2021, the management decided to charged off ₹ 139.06 million to the Statement of Profit and Loss as an Exceptional Expense and the remaining amount of ₹ 4.17 million was recorded under the head 'Other Current Assets'.

In year ended 31st March 2022, since the IPO has now been completed, the pro-rata IPO expenses recovered from the selling shareholder have been recorded as an exceptional income in the Statement of Profit and Loss. Pro-rata IPO expenses related to fresh issue of shares have been charged off to the equity in compliance with the applicable accounting standards.

52 The Parent Company completed its maiden Initial Public Offer of 190,721,649 Equity Shares of the face value of ₹ 10/- each at an issue price of ₹ 291/- per Equity Share, comprising offer for sale of 180,412,371 shares by selling shareholders and fresh issue of 10,309,278 shares. The Equity Shares of the Company were listed on 24th June 2021 on Bombay Stock Exchange and National Stock Exchange of India Limited.

53 THE UTILISATION OF THE NET INITIAL PUBLIC OFFERING PROCEEDS IS SUMMARISED BELOW:

Particulars	Objects of the issue as per prospectus	Utilisation upto 31st March 2022	Unutilised amount as on 31st March 2022
Repayment and Prepayment of identified borrowings	2,411.17	2,411.17	-
General Corporate Purposes	523.13	523.13	-
Of the unutilised net Fresh IPO Proceeds, there is no balance lying in Monitoring Agency Account and Public Offer Account.			

54 RATIOS

Particulars	Numerator (refer notes below)	Denominator (refer notes below)	As at 31st March 2022	As at 31st March 2021	Reason for more than 25 % Change
a. Current Ratio	Current Assets (CA)	Current Liabilities (CL)	2.46	1.71	Due to decrease in short-term borrowings
b. Debt-Equity Ratio	Debt	Equity	0.04	0.27	Debt repaid through proceeds from Initial public offering
c. Debt Service Coverage Ratio	Earnings available for debt service	Debt Service	1.81	4.29	
d. Return on Equity Ratio/ Return on investment	Profit after tax	Average Shareholder Equity	32.60%	29.89%	NA
e. Inventory turnover ratio	Revenue from Operation	Agerage Inventory	6.96	6.72	NA
f. Trade Receivables turnover ratio	Revenue from Operation	Average Receivables	4.64	4.46	NA
g. Trade payables turnover ratio	Revenue from Operation	Average Payables	10.20	9.53	NA
h. Net capital turnover ratio	Revenue from Operation	Average Working Capital	3.83	3.73	NA
i. Net profit ratio	Profit after tax	Revenue from Operation	0.18	0.15	NA
j. Return on Capital employed	Earning before interest and tax	Average Capital employed	32.22%	32.24%	NA

i) Debt = Long Term Borrowing + Short Term Borrowing

ii) Equity = Share Capital + other Equity

iii) Earning for Debt Service = Net Profit after taxes + Non-cash operating expenses like depreciation and other amortisations + Finance Cost

iv) Debt Service = Interest + Lease payments + Principal repayments

Notes

Summary of significant accounting policies and other explanatory information to the standalone financial statements for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

v) Average Shareholder Equity = Equity - Goodwill - Intangible Assets - Intangible asset under development

vi) Average Inventory = (Opening Inventory + Closing Inventory) / 2

vii) Average Receivable = (Opening Receivable + Closing Receivable) / 2

viii) Average Payables = (Opening Payables + Closing Payables) / 2

ix) Average Working Capital = ((Opening Inventory + Opening Receivables - Opening Payables) + (Closing Inventory + Closing Receivables- Closing Payables)) / 2

x) Average Capital employed = Total Asset -Goodwill - Intangible Asset - Intangible Asset under development - Current Liabilities

55 RECONCILIATION OF QUARTERLY BANK RETURN

Quarter	Particulars	FY 2021-22		FY 2020-21	
		Amount as per books of account	Amount as reported in the quarterly return/statement #	Amount as per books of account	Amount as reported in the quarterly return/statement#
Quarter 1	Trade Receivable	2,224.24	2,205.86	1,038.74	1,042.93
Quarter 1	Inventory	1,097.81	1,097.82	570.93	580.20
Quarter 1	Trade Payables *	643.80	628.29	280.67	279.17
Quarter 2	Trade Receivable	2,646.84	2,535.07	1,904.01	1,805.67
Quarter 2	Inventory	1,115.32	1,172.13	672.16	664.76
Quarter 2	Trade Payables *	801.28	802.83	596.87	596.19
Quarter 3	Trade Receivable	2,391.82	2,273.52	2,402.70	2,299.90
Quarter 3	Inventory	1,391.00	1,390.99	832.40	849.84
Quarter 3	Trade Payables *	775.96	775.88	841.87	840.41
Quarter 4	Trade Receivable	4374.88 **	4238.12 **	2,478.63	2,459.14
Quarter 4	Inventory	3006.75 **	2983.2 **	997.69	997.69
Quarter 4	Trade Payables *	1579.80 **	1616.31 **	669.24	667.94

Notes:

i) HDFC Bank and SBI are represented as Working capital lenders

The difference in the trade receivables between the books of account and the amount reported to banks is on account of adjustment of bill discounting for a specific debtor. Rest of the differences are not significant.

* Above information is given as per the norms of working capital lenders

** Q4 FY22 Quarter figure are post merger (refer note 49)

56 Previous year's figures has been regrouped and/ or reclassed wherever necessary to confirm to the current year's groupings and classifications.

57 AUTHORISATION OF STANDALONE FINANCIAL STATEMENTS

The Standalone financial Statements for the year ended 31st March 2022 were approved by the Board of Directors on 5th May 2022.

The accompanying summary of accounting policies and significant explanatory notes form an integral part of these Standalone financial statements.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Independent Auditor's Report

To the Members of
Sona BLW Precision Forgings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

1. We have audited the accompanying consolidated financial statements of Sona BLW Precision Forgings Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), as listed in Annexure 1, which comprise the Consolidated Balance Sheet as at 31st March 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated 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 ('Ind AS') specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at 31st March 2022, and their consolidated profit (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated 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 Code of Ethics. We believe that the audit evidence we have obtained together with the audit evidence obtained by the other auditors in terms of their reports referred to in paragraph 15 of the Other Matter section below, is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgement and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and brands having indefinite useful life (together 'intangibles') As detailed in Note 5 and Note 46 to the consolidated financial statements, the Group carries goodwill amounting to ₹ 1,758.09 million and brands amounting to ₹ 687.40 million in its consolidated balance sheet as at 31st March 2022. Goodwill was recorded on the acquisition of Comstar Automotive Technologies Private Limited, Comstar Automotive Hong Kong Limited, Comstar Automotive USA LLC and Comstar Automotive Technologies Services Private Limited, involved in design, manufacturing and selling of starter motors and motor and vehicle accessories, which has been determined as a cash generating unit ('CGU') by the management The brands were recognised pursuant to Company acquiring SONA Intellectual property rights and all intellectual property rights thereto from SONA Management Services Limited.	Our audit procedures included: a) Obtained an understanding from the management with respect to its impairment assessment process, assumptions used and estimates made by the management and tested the operating effectiveness of controls related to aforementioned annual impairment assessment; b) Obtained the impairment analysis carried out by the management and reviewed their conclusions; c) Tested the inputs used in the discounted cash flow model ('Model') by examining the underlying data and validating the future projections by comparing past projections with actual results, including discussions with management relating to these projections;

Key audit matter	How our audit addressed the key audit matter
In terms with Indian Accounting Standard 36, Impairment of Assets, Goodwill and indefinite lived assets are tested for impairment annually by the management at the CGU level, whereby the carrying amount of the CGU (including goodwill) is compared with the recoverable amount of the CGU. Impairment assessment requires significant estimations and judgement with respect to inputs used and assumptions made to prepare the forecasted financial information, used to determine the recoverable amount, using discounted cash flow model ('Model'). Key assumptions used in management's assessment of the carrying amount of goodwill and indefinite life intangible assets includes the expected growth rates, estimates of future financial performance, market conditions and discount rates, among others. The management has concluded that the recoverable amount of the CGU is higher than its carrying amount and accordingly, no impairment provision has been recorded as at 31st March 2022. Considering the materiality of the amount involved and significant degree of judgement and subjectivity involved in the estimates and assumptions used in determining the cash flows used in the impairment evaluation, we have determined impairment of such intangibles as a key audit matter for the current year audit.	d) Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied. Tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; e) Engaged our valuation specialists to assess the appropriateness of the significant assumptions used in the Model used by the management and reasonableness of assumptions made by the management, which included comparing the underlying parameters of the discount and long-term growth rates; f) We evaluated the inputs used by the management with respect to revenue and cost growth trends, among others, for reasonableness thereof; g) Performed sensitivity analysis on these key assumptions to assess potential impact of downside in the underlying cash flow forecasts and assessed the possible mitigating actions identified by management; and h) Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the consolidated financial statements.
Impairment testing of definite life intangible assets As detailed in Note 46 to the consolidated financial statements the Company has intangible assets amounting ₹ 960.89 million as at 31st March 2022 of which ₹ 308.74 million are in the nature of technology development expenditure relating to development of electric starter motor and hybrid starter motor technology. In terms with Indian Accounting Standard 36, Impairment of Assets, the management has carried out an impairment analysis of aforementioned intangible assets, which requires significant estimations and judgement with respect to inputs used and assumptions made to prepare the forecasted financial information, used to determine the fair value of such intangibles, using discounted cash flow model ('Model'). Key assumptions used in management's assessment of the recoverable amounts include projection of future cash flows, revenue growth rates, estimated future operating capital expenditure, external market conditions and discount rates, among others. Considering the materiality of the amounts involved and significant degree of judgement required in assessment of the impairment of technology development expenditure and subjectivity involved in the estimates and assumptions, this matter has been identified as a key audit matter for the current year's audit.	Our procedures included, but were not limited to the following: a) Obtained an understanding from the management with respect to its impairment assessment process, assumptions used and estimates made by the management and tested the operating effectiveness of controls related to impairment of technology development expenditure; b) Obtained impairment analysis carried out by the management and reviewed their conclusions; c) Tested the inputs used in the discounted cash flow model ('Model') by examining the underlying data and validating the future projections by comparing past projections with actual results, including discussions with management relating to these projections; d) Assessed the reasonableness of the assumptions used and appropriateness of the valuation methodology applied. Tested the discount rate and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; e) Assessed the reasonableness of the key assumptions used and appropriateness of valuation methodology applied. Tested cash flow forecasts and impact of macro-economic factors on the forecasts, future sales projections, discount rates, growth rate;

Key audit matter	How our audit addressed the key audit matter
	f) Engaged our valuation specialists to assess the appropriateness of the significant assumptions used in the Model used by the management and reasonableness of assumptions made by the management, which included comparing the underlying parameters of the discount and long-term growth rates; g) Performed sensitivity analysis on these key assumptions to assess potential impact of downside in the underlying cash flow forecasts and assessed the possible mitigating actions identified by management; and h) Assessed and validated the adequacy and appropriateness of the disclosures made by the management in the consolidated financial statements.

Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Report on Corporate Governance, Directors' Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Management Discussion and Analysis, Report on Corporate Governance, Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India. The Holding Company's Board of Directors are also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. Further, in terms of the provisions of the Act the respective Board of Directors of the companies included in the Group covered under the Act are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. These financial statements have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using

the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing 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 consolidated financial statements.

11. As part of an audit in accordance with Standards on Auditing specified under Section 143(10) of the Act we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated 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 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 Holding Company and its subsidiaries covered under the Act, have adequate internal financial controls system with reference to financial statements 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 Board of Directors' 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
    - Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors. For the other entities included in the financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

12. 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.

13. 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.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

15. We did not audit the financial statements of seven subsidiaries, whose financial statements reflects total assets of ₹ 2,986.45 million and net assets of ₹ 1,325.06 million as at 31st March 2022, total revenues of ₹ 3,496.86 million and net cash inflows amounting to ₹ 116.03 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiaries, are based solely on the reports of the other auditors.

    Further, of these subsidiaries, six subsidiaries, are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion on the consolidated financial statements, in so far as it relates to the balances and affairs of such subsidiaries located outside India, is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

    Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, are not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

16. As required by 197(16) of the Act based on our audits and on the consideration of the report of the other auditor, referred to in paragraph 15, on separate financial statements of a subsidiary, we report that the Holding Company and one subsidiary company incorporated in India whose financial statements have been audited under the Act have paid and provided remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act. Further, we report that one subsidiary company incorporated in India whose financial statements have been audited under the Act have not paid or provided for any managerial remuneration during the year. Accordingly, reporting under Section 197(16) of the Act is not applicable in respect of such subsidiary company.

17. As required by clause (xxi) of paragraph 3 of Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act based on the consideration of the Order reports issued till date by us and by the other auditor as mentioned in paragraph 15 above, of companies included in the consolidated financial statements for the year ended 31st March 2022 and covered under the Act we report that following is the adverse remark reported by us in the Order reports of the companies included in the consolidated financial statements for the year ended 31st March 2022 for which such Order reports have been issued till date:

Sr. No.	Name	CIN	Holding Company/ subsidiary/ Associate/ Joint Venture	Clause number of the CARO report which is qualified or adverse
1	Sona Comstar Edrive Private Limited	U34100HR2020PTC090921	Subsidiary	Clause xvii

18. As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditor on separate financial statements and other financial information of the subsidiaries incorporated in India whose financial statements have been audited under the Act, we report, to the extent applicable, that:

    a) We have sought obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

    c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

    d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;

    e) On the basis of the written representations received from the directors of the Holding Company, its subsidiary company and taken on record by the Board of Directors of the Holding Company, its subsidiary company respectively, and the report of the statutory auditor of its subsidiary company, covered under the Act, none of the directors of the Group companies are disqualified as on 31st March 2022 from being appointed as a director in terms of Section 164(2) of the Act;

    f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I' wherein we have expressed an unmodified opinion; and

    g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements and other financial information of a subsidiary incorporated in India whose financial statements have been audited under the Act:

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, as detailed in Note 40 to the consolidated financial statements;

        ii. The Holding Company and its subsidiary companies did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March 2022;

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies covered under the Act, during the year ended 31st March 2022;

        iv. a) The respective managements of the Holding Company and its subsidiary companies, incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief , no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Holding Company or its subsidiary companies, to or in any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company, or any such subsidiary companies ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

            b) The respective managements of the Holding Company and its subsidiary companies incorporated in India whose financial statements have been audited under the Act have represented to us and the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, no funds have been received by the Holding Company or its subsidiary companies, from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company, or any such subsidiary companies, shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures performed by us and that performed by the auditor of the subsidiary, as considered reasonable and appropriate in the circumstances, nothing has come to our or other auditors' notice that has caused us or the other auditor to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

v. The interim dividend declared and paid by the Holding Company during the year ended 31st March 2022 is in compliance with Section 123 of the Act. As stated in note 35 to the accompanying consolidated financial statements, the Board of Directors of the Holding Company have proposed final dividend for the year ended 31st March 2022 which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273
UDIN: 22517273AIKVOL9312

Place: New Delhi
Date: 5th May 2022

Independent Auditor's Report of even date to the members of Sona BLW Precision Forgings Limited, on the consolidated financial statements for the year ended 31 March 2022 (Cont'd)

Annexure 1

LIST OF ENTITIES INCLUDED IN THE STATEMENT

Sr no.	Name of the holding Company
1	Sona BLW Precisions Forgings Limited
	Name of subsidiaries
1	Comstar Automotive Technologies Services Private Limited
2	Comstar Automotive USA LLC
3	Comstar Automotive Hongkong Limited
4	Comestel Automotive Technologies Mexicana Ltd.
5	Comstar Automotive (Hangzhou) Co., Ltd.
6	Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V
7	Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V
8	Comstar Hong Kong Mexico No. 1, LLC
9	Sona Comstar eDrive Private Limited

Annexure I Independent Auditor's 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. In conjunction with our audit of the consolidated financial statements of Sona BLW Precision Forgings Limited ('the Holding Company') and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') as at and for the year ended 31st March 2022, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are companies covered under the Act, as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal financial controls 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 ("Guidance note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the 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.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's 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 and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies as aforesaid.

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 include 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 and based on the consideration of the report of the other auditor on internal financial controls with reference to financial statements of the subsidiary company, the Holding Company and its subsidiary companies, which are companies covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31st March 2022, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matter

9. We did not audit the internal financial controls with reference to financial statements insofar as it relates to one subsidiary company, which is company covered under the Act, whose financial statements reflect total assets of ₹ 56.94 million and net assets of ₹ 54.32 million as at 31st March 2022, total revenues of ₹ 38.15 million and net cash outflows amounting to ₹ 0.03 million for the year ended on that date, as considered in the consolidated financial statements. The internal financial controls with reference to financial statements in so far as it relates to such subsidiary company has been audited by other auditor whose report has been furnished to us by the management and our report on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements for the Holding Company and its subsidiary companies, as aforesaid, under Section 143(3)(i) of the Act in so far as it relates to such subsidiary company is based solely on the report of the auditor of such company. Our opinion is not modified in respect of this matter with respect to our reliance on the work done by and on the report of the other auditor.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273
UDIN: 22517273AIKVOL9312

Place: New Delhi
Date: 5th May 2022

Consolidated Balance Sheet

as at 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Note No.	As at 31st March 2022	As at 31st March 2021
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,679.17	3,449.02
Capital work-in-progress	4	1,408.63	821.36
Right-of-use assets	4	1,514.09	1,592.65
Goodwill on consolidation	5	1,758.09	1,758.09
Other intangible assets	5	4,889.91	5,366.21
Intangible assets under development	5	65.20	10.76
Financial assets			
(i) Other financial assets	7	64.74	57.77
Income tax assets (net)	8	270.23	417.33
Other non-current assets	9	555.32	296.23
Total non-current assets		**16,205.39**	**13,769.42**
Current assets			
Inventories	10	3,633.75	3,055.57
Financial assets			
(i) Investments	6	65.30	-
(ii) Trade receivables	11	4,451.89	4,169.87
(iii) Cash and cash equivalents	12	536.06	249.48
(iv) Bank balances other than (iii) above	13	236.46	26.27
(v) Other financial assets	7	64.59	166.72
Other current assets	9	764.16	541.56
Total current assets		**9,752.21**	**8,209.48**
Total assets		**25,957.60**	**21,978.89**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	14(A)	5,843.53	5,729.81
Other equity	15	14,159.44	8,029.53
Total equity		**20,002.97**	**13,759.34**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	16 (i)	437.50	1,907.01
(ii) Lease liabilities	43	696.02	720.15
(iii) Other financial liabilities	17	1.74	1.24
Provisions	18	100.44	86.78
Deferred tax liabilities (net)	19	883.86	940.76
Total non-current liabilities		**2,119.56**	**3,655.95**
Current liabilities			
Financial liabilities			
(i) Borrowings	16 (ii)	266.20	1,739.52
(ii) Lease liabilities	43	111.76	105.27
(iii) Trade payables	20		
- Total outstanding dues of micro enterprises and small enterprises		387.18	495.83
- Total outstanding dues of creditors other than micro enterprises and small enterprises		1,802.56	1,745.26
(iv) Other financial liabilities	17	877.98	234.26
Other current liabilities	21	222.17	170.77
Provisions	18	105.61	72.69
Current tax liabilities (net)	22	61.60	–
Total current liabilities		**3,835.07**	**4,563.60**
Total liabilities		**5,954.63**	**8,219.55**
Total equity and liabilities		**25,957.60**	**21,978.89**
The summary of significant accounting policies and other explanatory information form an integral part of these Consolidated financial statements.	1 to 56		

This is the Consolidated balance sheet referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Consolidated Statement of Profit and Loss

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Note No.	For the year ended 31st March 2022	For the year ended 31st March 2021
Income			
Revenue from operations	23	21,306.40	15,663.00
Other income	24	200.26	23.41
Total income		**21,506.66**	**15,686.41**
Expenses			
Cost of materials consumed		9,892.03	7,094.78
Changes in inventories of finished goods and work-in-progress	25	(436.45)	(641.68)
Employee benefits expense	26	1,688.77	1,474.49
Finance costs	27	182.57	325.15
Depreciation and amortisation expense	28	1,419.65	969.40
Other expenses	29	4,571.04	3,325.25
Total expenses		**17,317.61**	**12,547.38**
Profit before exceptional items and tax		**4,189.05**	**3,139.02**
Exceptional item	30	(132.70)	139.06
Profit before tax		**4,321.75**	**2,999.96**
Tax expense	31		
- Current tax		893.92	497.38
- Tax related to previous years		(134.62)	-
- Deferred tax (credit)/ charge		(52.98)	350.93
Total tax expense		**706.32**	**848.31**
Profit for the year		**3,615.43**	**2,151.65**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligations		(15.57)	4.86
Exchange difference on translation of foreign subsidiaries		40.35	2.92
Income tax relating to above-mentioned item		3.92	(1.22)
Changes in fair values of equity instruments carried at fair value through other comprehensive income		–	(19.00)
Other comprehensive income/(loss) for the year		**28.70**	**(12.44)**
Total comprehensive income for the year		**3,644.13**	**2,139.21**
The summary of significant accounting policies and other explanatory information form an integral part of these Consolidated financial statements.	1 to 56		

This is the Consolidated statement of profit and loss referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Consolidated Cash Flow Statement

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	For the year ended 31st March 2022	For the year ended 31st March 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	4,321.75	2,999.96
Adjustments for:		
Depreciation and amortisation expense	1,419.65	969.40
Loss on sale of property plant and equipment (net)	8.75	2.92
Loss/(gain) on allowance for doubtful receivables and advances	-	(3.63)
Share based payments	66.60	45.37
(Recovery)/allowance for doubtful receivables	4.45	-
Unwinding of discount on fair valuation of security deposits	(1.34)	(0.70)
Amortisation of transaction cost based on effective interest rate	10.12	(2.32)
Unwinding of discount on deferred payment liabilities	0.91	1.07
Provision for slow moving inventory	10.61	31.86
Fair value loss/(gain) on derivatives	117.33	(374.24)
Profit on sale of investments	–	0.15
Finance costs	172.32	325.15
Interest income	(179.21)	(28.80)
Unrealised foreign exchange (gain)/ loss	(72.05)	59.72
Operating profit before working capital changes	**5,879.91**	**4,025.91**
Changes in working capital		
Movement in inventories	(598.38)	(1,129.20)
Movement in trade receivables	(213.28)	(1,922.55)
Movement in other financial asset	82.25	15.67
Movement in other asset	(194.57)	(181.38)
Movement in trade payable	(21.35)	1,084.84
Movement in other financial liabilities	(1.20)	(58.13)
Movement in provision	12.55	60.29
Movement in other liabilities	43.53	59.88
Cash generated from operations	**4,989.48**	**1,955.33**
Direct taxes paid	(543.67)	(528.17)
Net cash flow generated from operating activities - Total (A)	**4,445.81**	**1,427.16**
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for acquisition of property, plant and equipment, intangibles and capital work-in-progress including capital advances	(3,472.13)	(2,189.37)
Proceeds from sale of property, plant and equipment	33.93	9.07
Movement in bank balances other than cash and cash equivalents	(210.19)	597.79
(Purchase) of investments	(65.27)	-
Interest received	179.21	21.97
Net cash (used in)/generated from investment activities - Total (B)	**(3,534.45)**	**(1,560.54)**

Consolidated Cash Flow Statement

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	For the year ended 31st March 2022	For the year ended 31st March 2021
C. CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Proceeds from short-term borrowings, net	(898.02)	298.52
Proceeds from long-term borrowings	450.00	717.57
Repayment of long-term borrowings	(2,505.67)	(407.97)
Repayment of deferred payment liabilities	(21.04)	(12.47)
Repayment of lease liabilities	(101.37)	(91.34)
Dividend paid	(449.95)	(904.02)
Proceeds from issue of equity shares	3,040.75	-
Expense related to capital raising	(59.26)	–
Fees paid for increase in authorised share capital	–	(20.97)
Interest paid	(92.03)	(246.31)
Net cash used in financing activities - Total (C)	**(636.60)**	**(666.99)**
D. Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)	**274.76**	**(800.37)**
E. Cash and cash equivalents at the beginning of the year	249.48	1,049.85
F. Effect of exchange differences on cash and cash equivalents	11.81	–
G. Cash and cash equivalents at the end of the year (D)+(E)	**536.05**	**249.48**
Reconciliation of cash and cash equivalents as per the cash flow statement (refer note 12)		
Cash and cash equivalents as per above comprise of the following		
Balances in current accounts	480.60	247.98
Cash on hand	0.14	0.10
Cheque on hand	53.17	–
Bank deposits with original maturity of less than three months	2.15	1.40
Balances per statement of cash flows	**536.06**	**249.48**

This is the consolidated statement of cash flow referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Consolidated Statement of Changes in Equity

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

A. EQUITY SHARE CAPITAL

	Amount
Balance as at 1st April 2020	**471.54**
Conversion of compulsory convertible preference shares into equity shares	5.94
Bonus shares issued during the year	5,252.32
Balance as at 31st March 2021	**5,729.80**
Equity share issued during the year	113.73
Balance as at 31st March 2022	**5,843.53**

B. INSTRUMENTS ENTIRELY EQUITY IN NATURE

	Amount
Balance as at 1st April 2020	**5.94**
Conversion of compulsory convertible preference shares into equity shares	(5.94)
Balance as at 31st March 2021	**–**
Movement during the year	–
Balance as at 31st March 2022	**–**

C. OTHER EQUITY

	Reserve and Surplus					Equity instruments through other comprehensive income	FCTR	Merger Reserve (Refer note 49)	Total
	General reserve	Securities premium	Capital redemption reserve	Employee's stock options reserve	Retained earnings				
Balance as at 1st April 2020	**120.00**	**7,881.34**	**25.93**	**–**	**3,569.95**	**(309.28)**	**14.00**	**–**	**11,301.94**
Add/ (less): Effect of business combination (Refer note 49)	–	–	–	–	(16.89)	–	–	737.23	720.34
Balance as at 1st April 2020 (post business combination)	120.00	7,881.34	25.93	–	3,553.06	(309.28)	14.00	737.23	12,022.28
Net profit for the year	–	–	–	–	2,151.65	–	–	–	2,151.65
Securities premium utilised on bonus share issue		(5,252.32)	–	–	–	–	–	–	(5,252.32)
Remeasurement of defined benefit obligations (net of tax)	–	–	–	–	3.64	–	–	–	3.64
Dividend paid	–	–	–	–	(904.03)	–	–	–	(904.03)
Expense related to capital raising	–	–	–	–	–	–	–	–	–
Stamp duty paid for increase in authorised share capital	–	(20.97)	–	–	–	–	–	–	(20.97)
Employee stock option charge for the year	–	–	–	45.37	–	–	–	–	45.37
Net changes in fair values of equity instruments carried at fair value through other comprehensive income	–	–	–	–	–	(19.00)	–	–	(19.00)
Currency translation during the year	–	–	–	–	–	–	2.92	–	2.92
Balance as at 31st March 2021	**120.00**	**2,608.05**	**25.93**	**45.37**	**4,804.32**	**(328.28)**	**16.92**	**737.23**	**8,029.54**
Balance as at 1st April 2021	**120.00**	**2,608.05**	**25.93**	**45.37**	**4,804.32**	**(328.28)**	**16.92**	**737.23**	**8,029.53**

Consolidated Statement of Changes in Equity

for the year ended 31st March 2022

(Figures in Million ₹, unless stated otherwise)

	Reserve and Surplus					Equity instruments through other comprehensive income	FCTR	Merger Reserve (Refer note 49)	Total
	General reserve	Securities premium	Capital redemption reserve	Employee's stock options reserve	Retained earnings				
Net profit for the year	–	–	–	–	3,615.43	–	–	–	3,615.43
Remeasurement of defined benefit obligations (net of tax)	–	–	–	–	(11.65)	–	–	–	(11.65)
Dividend paid	–	–	–	–	(449.95)	–	1.35	–	(448.60)
Expense related to capital raising	–	(59.26)	–	–	–	–	–	–	(59.26)
Premium received on issue of shares (refer note 45 and 52)	–	2,927.03	–	–	–	–	–	–	2,927.03
Employee stock option reserve created during the year	–	–	–	66.61	–	–	–	–	66.61
Impact on exercise of ESOPs grants (Refer Note 45)	–	47.17	–	(47.17)	–	–	–	–	–
Impact of option lapsed during the year (Refer Note 45)	–	–	–	(0.28)	0.28	–	–	–	–
Currency translation during the year	–	–	–	–	–	–	40.35	–	40.35
Balance as at 31st March 2022	**120.00**	**5,522.99**	**25.93**	**64.53**	**7,958.43**	**(328.28)**	**58.62**	**737.23**	**14,159.44**

This is the statement of changes in equity in consolidated statement refered to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

1. GROUP OVERVIEW

Sona BLW Precision Forgings Limited (the "Parent Company" or the "Company"), a public limited company was incorporated on 27 October 1995 and began commercial production in November 1998. Sona BLW and its subsidiaries (together referred to as "the Group") are engaged in the manufacturing of precision forged bevel gears, differential case assemblies, conventional and micro-hybrid starter motors, EV traction motors etc., for automotive and other applications

2. GROUP COMPANIES

Consolidated financial statements comprise the financial statements of Sona BLW Precision Forgings Limited, its subsidiaries and its associate (hereinafter referred together referred to as 'Group') which are listed below:

Name of Subsidiary	Country of incorporation	Proportion of ownership (%) as at 31st March 2022	Proportion of ownership (%) as at 31st March 2021
Comstar Automotive Technologies Services Private Limited	India	100%	100%
Comstar Automotive USA LLC	USA	100%	100%
Comstar Hong Kong Mexico No. 1, LLC	USA	100%	100%
Comstar Automotive Hong Kong Ltd.	Hong Kong	100%	100%
Comestel Automotive Technologies Mexicana Ltd.	Hong Kong	100%	100%
Comstar Automotive (Hangzhou) Co., Ltd.	China	100%	100%
Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V	Mexico	100%	100%
Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V	Mexico	100%	100%
Sona Comstar eDrive Private Limited	India	100%	Nil

3. (A) SIGNIFICANT ACCOUNTING POLICES

This note provides a list of the significant accounting policies adopted in the preparation of this consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The Consolidated Financial Statements comprise of the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and Statement of Significant Accounting Policies and other explanatory information for the year then ended (hereinafter referred to as "Consolidated Financial Statements"). The Consolidated Financial Statements has been prepared to comply in all material respects with the requirements of Section 26 of Part I of Chapter III of the Companies Act, 2013, as amended (the "Act"). All significant intercompany transactions and balances between Group entities are eliminated on consolidation.

b) Business combinations

The Group applies the acquisition method in accounting for business combinations. The cost of acquisition is the aggregate of the consideration transferred measured at fair value at the acquisition date. Acquisition costs are charged to the Statement of Profit and Loss in the period in which they are incurred.

At the acquisition date, identifiable assets acquired and liabilities assumed are measured at fair value. Goodwill is measured as excess of the aggregate of the fair value of the consideration transferred over the fair value of the net of identifiable assets acquired and liabilities assumed. If the fair value of the net of identifiable assets acquired and liabilities assumed is in excess of the aggregate mentioned above, the resulting gain on bargain purchase is recognised.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

c) Property, plant and equipment

Freehold land is carried at cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the property, plant and equipment is capitalised at discounted value. The

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

difference between the discounted value and the total payment is recognised as interest over the period of credit.

Depreciation methods, estimated useful lives and residual value

Depreciation on property, plant and equipment is provided on the straight-line method, computed on the basis of useful lives (as set out below) as prescribed in Schedule II of the Act: -

Asset category	Useful life (in years)
Factory Buildings	30
Roads	10
Sheds	3
Plant and equipment	7.5 to 25
Furniture and fixtures	10
Tools	3 to 5
Computers and IT equipment	3 to 6
Vehicles	4 to 8
Office equipment	5
Leasehold improvements	Over the effective term of lease

In case of subsidiaries, the following useful lives have been used by the Group:

Asset category	Useful life (in years)
Buildings	10 to 50 years
Buildings and land improvements	15 to 25 years
Technical machinery and equipment	8 to 25 years
Other equipment, factory and office equipment	3 to 10 years

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

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

De-recognition

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 de-recognition 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.

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation methods and periods.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 is accounted for by changing 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.

Asset class	Useful life (in years)
Computer software	3 to 6
Brand	Indefinite
Customer Relationship	15
Technology development expenditure	5

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

In case of subsidiaries, the following useful lives have been used by the Group:

Intangible assets with finite useful lives are capitalised at cost and amortised on a straight-line basis generally over a period of 3 to 15 years, depending on their estimated useful lives. Useful lives are examined on an annual basis and adjusted when applicable on a prospective basis.

Intangible assets - Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 15 years.

e) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue from sale of goods

Revenue from sale of goods is recognised when the control of goods is transferred to the buyer as per the terms of the contract, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods. Control of goods refers to the ability to direct the use of and obtain substantially all of the remaining benefits from goods.

Revenue is measured at fair value of the consideration received or receivable and are accounted for net of returns and discounts. Sales, as disclosed, are exclusive of goods and services tax.

Other incomes

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.

Dividend is recognised as and when the right of the Group to receive payment is established.

Export benefit entitlements under various schemes notified by the government are recognised in the statement of profit and loss when the right to receive credit as per terms of the scheme is established in respect of the exports made and no significant uncertainties exist as to the amount of consideration and its ultimate collection.

Revenue from contract with customers

To determine whether to recognise revenue from contracts with customers, the Company follows a 5-step process:

1. Identifying the contract with customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers for products sold and service provided is recognised when control of promised products or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes Goods and services taxes and is net of rebates and discounts. No element of financing is deemed present as the sales are made with a credit term of 30-90 days, which is consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

These activity-specific revenue recognition criteria are based on the goods or services provided to the customer and the contract conditions in each case, and are as described below.

Consideration for revenue contracts

This includes amounts paid, or expected to be paid, by the Company to the customer. The amount, if not for a payment for a distinct goods or service from the customer, is accounted for as a reduction of the transaction price. The Company recognises the reduction of revenue when (or as) the later of either of the following events occurs: (a) the Company recognises revenue for the transfer of the related goods or services to the customer; and (b) the entity pays or promises to pay the consideration (even if the payment is conditional on a future event).

f) Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of Goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

g) Leases

Transition to Ind AS 116 – Leases:

Effective 1st April 2019, the Group adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on 1st April, 2019 using the modified retrospective method. with the cumulative effect of adopting Ind AS 116 being recognised in equity as an adjustment to the opening balance of retained earnings.

Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments. On application of Ind AS 116, the nature of expenses has changed from lease rent in previous periods to depreciation cost for the right-of-use asset, and finance cost for interest accrued on lease liability.

The following is the summary of practical expedients elected on initial application:

1. Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
2. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
3. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The Group lease asset classes primarily consist of leases for land, buildings and plant and machinery. The Group 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 Group assesses whether: (i) the contract involves the use of an identified asset (ii) the Group has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Group has the right to direct the use of the asset.

At the date of commencement of the lease, the Group recognises 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 Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the right to extend the lease. 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 recognised 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.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

The lease liability is initially measured at amortised 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 Group changes its assessment if whether it will exercise an extension or a termination option.

h) Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at FVTPL which are measured initially at fair value.

If the Group determines that the fair value at initial recognition differs from the transaction price, the Group accounts for that instrument at that date as follows:

a) at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

b) in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below:

Financial assets

Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Financial assets at amortised cost

A financial instrument is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- 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 method.

Financial assets at fair value

Investments in equity instruments (other than subsidiaries/ associates) – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified at FVTPL. For all other equity instruments, the Group decides to classify the same either at fair value through other comprehensive income (FVOCI) or FVTPL. The Group makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

De-recognition of financial assets

A financial asset is primarily de-recognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

Financial liabilities

Subsequent measurement

After initial recognition, the financial liabilities are subsequently measured at amortised cost using effective interest method. Amortised cost is calculated after considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition of financial liabilities

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in consolidated statement of profit and loss.

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

i) Impairment of financial assets

All financial assets except for those at fair value through profit and loss (FVTPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets. In accordance with Ind-AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets carried at amortised cost. ECL is the weighted average of difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the Group is required to consider –

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Trade receivables

The Group applies approach permitted by Ind AS 109 Financial Instruments, which requires lifetime expected credit losses to be recognised upon initial recognition of receivables. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The Group uses the expected credit loss model to assess any required allowances and uses a provision matrix to compute the expected credit loss allowance for trade receivables. Life time expected credit losses are assessed and accounted based on Group historical collection experience for customers and forecast of macroeconomic factors.

Other financial assets

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses. When making this assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life (including Goodwill and Brands) are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, the Group assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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 available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of asset over its remaining useful life.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

k) Fair value measurement

The Group measures certain financial instruments, such as, investments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

l) Inventories

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Cost are assigned to individual items of inventory on the basis of weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposit accounts, margin deposit money and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the balance sheet. The statement of cashflow is prepared using indirect method.

n) Employee benefits

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Post-employment benefits

Defined contribution plan: A defined contribution plan is a post-employment benefit plan under which the Group pays specified contributions to a separately entity. The Group has defined contribution plans for provident fund and employees' state insurance scheme. The Group's contribution in the above plans is recognised as an expense in the Statement of Profit and Loss during the year in which the employee renders the related service.

Defined benefit plans: The Group has defined benefit plan namely Gratuity for employees. The liability in respect of gratuity plans is calculated annually by independent actuary using the projected unit credit method. The Group recognises the following changes in the net defined benefit obligation under employee benefits expense in statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements
- Net interest expense

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Re-measurements are not reclassified to profit or loss in subsequent periods.

iii) Other long-term employee benefits

Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the end of the year. Actuarial gains/losses are immediately recognised to the Statement of Profit and Loss.

iv) Termination benefits are recognised as an expense immediately.

o) Employee share based payments

The Company has equity-settled share-based remuneration plans for its employees. None of the Company's plans are cash-settled. Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

value of the equity instruments granted. This fair value is appraised at the grant date. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

p) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group;
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

Dilute earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented for any share splits and bonus shares issues including for changes effected prior to the approval of the financial statements by the Board of Directors.

q) Provisions, contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Expected future operating losses are not provided for.

Contingencies

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group; or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, related asset is disclosed.

r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Eligible transaction/ ancillary costs incurred in connection with the arrangement of borrowings are adjusted with the proceeds of the borrowings.

s) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions as per the requirement of Schedule III, unless otherwise stated.

t) Current versus non-current classification

The Group presents assets and liabilities in the Balance Sheet based on the 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;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current assets include the current portion of non-current financial assets. The Group classifies all other assets as non-current.

A liability is treated 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.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Current liabilities include current portion of non-current financial liabilities. The Group 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 Group has identified twelve months as its operating cycle for the purpose of current / non-current classification of assets and liabilities.

u) Foreign currency transactions

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Group's functional and presentation currency.

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

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other gains/ (losses). Non-monetary items denominated in foreign currency are reported at the exchange rate ruling on the date of transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the statement of profit and loss in the year in which they arise.

v) Non-current assets held for sale and discontinued operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, assets arising from employee benefits and deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation. A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprise the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale. Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations.

3. (B) STANDARDS ISSUED BUT NOT YET EFFECTIVE

All the Ind AS issued and notified by the Ministry of Corporate Affairs ('MCA') under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are authorised have been considered in preparing these financial statements.

Standards issued but not effective

The Ministry of Corporate Affairs ("MCA") vide its notification dated March 23, 2022 has notified Companies (Indian Accounting Standards) Amendment Rules, 2022 to further amend the Companies (Indian Accounting Standards) Rules, 2015. Amendments have been made to the following standards.

Amendment to Ind AS 16, Property, Plant and Equipment

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 16 which specifies that an entity shall deduct from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use.

Amendment to Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 37 which specifies that the cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Amendment to Ind AS 109, Financial Instruments

The MCA vide notification dated March 23, 2022, has issued an amendment to Ind AS 109 which clarifies that which fees an entity should include when it applies the '10%' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendments listed above will be effective on or after 1st April 2022 and are not expected to significantly affect the current or future periods.

3. (C) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements includes:

- measurement of defined benefit obligations;
- estimation of useful lives of property, plant and equipment;
- provision and contingent liabilities;
- carrying values of inventories;
- expected credit loss on receivables;
- impairment of non-financial assets (goodwill and brands);
- measurement of share based payments;
- Evaluation of indicators for impairment of non-financial assets
- Classification of leases
- Taxation and legal disputes
- Measurement of fair values
- Capitalisation of internally developed intangible assets

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

4 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK-IN-PROGRESS AND RIGHT OF USE ASSET

Property, plant and equipment	Freehold land	Buildings (Refer note i)	Plant and equipment (Refer note ii)	Furniture and fixtures	Office Equipment	Computers	Vehicles	Leasehold improvement	Total	Right of Use Assets		
										Leasehold land (refer note (iii) & (iv)	Building	Total
Gross block as at 1st April 2020	**28.10**	**505.35**	**2,773.74**	**46.90**	**79.92**	**79.92**	**102.40**	**111.34**	**3,727.65**	**925.43**	**568.52**	**1,493.95**
Additions	–	15.27	1,072.46	5.80	14.29	26.93	14.69	24.23	1,173.67	–	245.02	245.02
Foreign currency translation reserve	–	(0.99)	(0.47)	0.27	(0.01)	0.01	0.45	–	(0.74)	–	–	–
Disposals	(2.27)	–	(231.27)	–	(0.03)	(0.85)	(10.39)	–	(244.81)	–	–	–
Gross block as at 31st March 2021	**25.83**	**519.63**	**3,614.47**	**52.97**	**94.17**	**106.01**	**107.14**	**135.57**	**4,655.79**	**925.43**	**813.54**	**1,738.97**
Accumulated depreciation as at 1st April 2020	**–**	**54.50**	**692.19**	**13.41**	**34.05**	**32.00**	**30.70**	**25.72**	**882.58**	**17.60**	**56.94**	**74.54**
Depreciation charge during the year	–	27.99	450.26	7.30	15.21	25.32	18.96	10.19	555.25	10.48	61.31	71.78
Disposals	–	–	(221.48)	–	(0.02)	(0.77)	(8.75)	–	(231.02)	–	–	–
Foreign currency translation reserve	–	(0.16)	0.02	0.01	(0.01)	(0.01)	0.09	–	(0.06)	–	–	–
Accumulated depreciation as at 31st March 2021	**–**	**82.33**	**920.99**	**20.72**	**49.23**	**56.54**	**41.01**	**35.91**	**1,206.77**	**28.08**	**118.25**	**146.32**
Net carrying amount as at 31st March 2021	**25.83**	**437.29**	**2,693.48**	**32.25**	**44.93**	**49.47**	**66.14**	**99.66**	**3,449.02**	**897.35**	**695.29**	**1,592.65**
Gross block as at 1st April 2021	**25.83**	**519.63**	**3,614.47**	**52.97**	**94.17**	**106.01**	**107.14**	**135.57**	**4,655.79**	**925.43**	**813.54**	**1,738.97**
Additions	–	64.49	2,842.04	15.87	15.56	38.46	90.45	10.69	3,077.56	–	1.81	1.81
Disposals	–	–	(66.17)	–	–	(2.36)	(42.73)	–	(111.26)	–	–	–
Foreign currency translation reserve	0.12	1.08	8.46	0.26	0.01	0.36	0.38	–	10.67	–	8.47	8.47
Gross block as at 31st March 2022	**25.95**	**585.20**	**6,398.80**	**69.10**	**109.74**	**142.47**	**155.25**	**146.25**	**7,632.76**	**925.43**	**823.82**	**1,749.25**
Accumulated depreciation as at 1st April 2021	**–**	**82.33**	**920.99**	**20.72**	**49.23**	**56.54**	**41.01**	**35.91**	**1,206.74**	**28.08**	**118.25**	**146.32**
Depreciation charge during the year	–	29.80	693.43	7.76	14.98	28.80	23.36	12.18	810.32	10.48	75.79	86.26
Disposals	–	–	(41.43)	–	–	(2.28)	(24.73)	–	(68.45)	–	–	–
Foreign currency translation reserve	–	0.21	4.43	(0.33)	0.01	0.32	0.33	–	4.98	–	2.56	2.56
Accumulated depreciation as at 31st March 2022	**-**	**112.35**	**1,577.42**	**28.15**	**64.23**	**83.39**	**39.97**	**48.09**	**1,953.59**	**38.55**	**196.60**	**235.15**
Net carrying amount as at 31st March 2022	**25.95**	**472.85**	**4,821.38**	**40.96**	**45.51**	**59.08**	**115.28**	**98.16**	**5,679.17**	**886.88**	**627.22**	**1,514.09**

Capital work-in-progress

Particulars	As at 31st March 2022	As at 31st March 2021
Capital work-in-progress	1,408.63	821.36
Total	**1,408.63**	**821.36**

CWIP ageing schedule as at 31st March 2022

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	1,065.65	54.26	180.62	108.10	1,408.63

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan.

CWIP ageing schedule as at 31st March 2021

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	526.53	182.33	112.50	–	821.36

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan.

Notes:

(i) In Company, Building (gross block) amounting ₹ 208.91 million (31st March 2021: ₹ 192.11 million), net block ₹ 150.33 million (31st March 2021:₹ 135.80 million) is constructed on leasehold land.

(ii) Refer note 41 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(iii) The Parent Company has a leasehold land at Pune which has been taken on a lease for a period of 95 years in the year 2018-19. Initial lease payment of ₹ 227.68 million has been made. No annual rent is required to be paid for the aforementioned leasehold land.

(iv) The Parent Company has a leasehold land at Pune which has been taken on a lease for a period of 71 years and 8 months in the year 2004-05. Initial lease payment of ₹ 17.15 millions has been made. No annual rent is required to be paid for the aforementioned leasehold land.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

5 INTANGIBLE ASSETS AND INTANGIBLE ASSETS UNDER DEVELOPMENT

Intangible assets	Computer software	Technical knowhow	Capitalised development expenditure	Brand	Customer Relationships	Total	Intangible assets under development	Goodwill on consolidation (Including assembled workforce)
Gross block as at 1st April 2020	**143.10**	**27.18**	**–**	**687.40**	**4,009.00**	**4,866.68**	**315.00**	**1,758.09**
Additions	88.57	–	992.90	–	–	1,081.47	688.66	–
Transfers	–	–	–	–	–	–	(992.90)	–
Gross block as at 31st March 2021	**231.67**	**27.18**	**992.90**	**687.40**	**4,009.00**	**5,948.15**	**10.76**	**1,758.09**
Accumulated amortisation as at 1st April 2020	**26.74**	**12.46**	**–**	**–**	**198.30**	**237.50**	**–**	**–**
Amortisation charge for the year	40.84	4.52	32.01	–	267.07	344.44	–	–
Accumulated amortisation as at 31st March 2021	**67.58**	**16.98**	**32.01**	**–**	**465.37**	**581.94**	**–**	**–**
Net carrying amount as at 31st March 2021	**164.10**	**10.20**	**960.89**	**687.40**	**3,543.63**	**5,366.21**	**10.76**	**1,758.09**
Gross block as at 1st April 2021	**231.67**	**27.18**	**992.90**	**687.40**	**4,009.00**	**5,948.15**	**10.76**	**1,758.09**
Additions	42.78	3.97	–	–		46.75	77.56	–
Transfer to intangible assets	–	–	–	–	–	–	(23.12)	–
Gross block as at 31st March 2022	**274.46**	**31.15**	**992.90**	**687.40**	**4,009.00**	**5,994.91**	**65.20**	**1,758.09**
Accumulated amortisation as at 1st April 2021	**67.58**	**16.98**	**32.01**	**–**	**465.37**	**581.94**	**–**	**–**
Amortisation charge for the year	52.52	4.89	198.58	–	267.07	523.06	–	–
Accumulated amortisation as at 31st March 2022	**120.10**	**21.87**	**230.59**	**–**	**732.44**	**1,105.00**	**–**	**–**
Net carrying amount as at 31st March 2022	**154.36**	**9.28**	**762.31**	**687.40**	**3,276.56**	**4,889.91**	**65.20**	**1,758.09**

Intangible assets under development ageing schedule for the year ended 31st March 2022

Particulars	Amount in intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	65.20	–	–	–	65.20

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan

Intangible assets under development ageing schedule for the year ended 31st March 2021

Particulars	Amount in intangible assets under development for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress*	10.76	–	–	–	10.76

*There were no projects that were suspended at the end of reporting period accordingly disclosure on expected date of completion of suspended project has not been given. Further there are no projects whose completion is overdue or has exceeded its cost compared to its original plan

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

6 INVESTMENTS

	As at 31st March 2022	As at 31st March 2021
At Cost, Unquoted investments, Investment in equity shares of other than subsidiary companies		
9,553 (31st March 2021: 9,553) equity shares of Euro 500 each in Sona Holding B.V. The Netherlands	211.66	211.66
Less: Provision for impairment	(211.66)	(211.66)
	–	–
At Cost, Unquoted investments, Investment in Preference shares of other than subsidiary companies		
392,647 (31st March 2021: 9,953) equity shares of Euro 5 each in Sona Holding B.V. The Netherlands	116.62	116.62
Less: Provision for impairment	(116.62)	(116.62)
	–	–
Aggregate amount of unquoted non-current investments	–	–
Aggregate amount of impairment of unquoted investments	328.28	328.28

	As at 31st March 2022	As at 31st March 2021
Investment (current)		
At fair value through profit and loss Quoted Investment		
20823.64 units (31st March 2021: Nil) of HDFC Overnight Fund - Regular	65.30	–
	65.30	**–**
Aggregate amount of quoted investments at cost	65.30	–
Aggregate amount of quoted investments at market value	**65.30**	**–**

7 OTHER FINANCIAL ASSETS

	As at 31st March 2022	As at 31st March 2021
Unsecured, considered good		
Non-current		
Security deposits	64.74	57.77
Total other financial assets- non-current	**64.74**	**57.77**
Current		
Forward contract receivables (refer note 34)	29.49	147.87
Security deposits	30.00	0.35
Other financial assets	0.39	17.03
Royalty income receivable	4.71	1.47
Total other financial assets- current	**64.59**	**166.72**

i) The exposure to financial risks and fair value measurement related to these financial instruments is described in note 33 and 34

8 INCOME TAX ASSETS (NET)

	As at 31st March 2022	As at 31st March 2021
Non-current		
Prepaid taxes	270.23	417.33
	270.23	**417.33**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

9 OTHER ASSETS

	As at 31st March 2022	As at 31st March 2021
Non-current		
Prepaid expenses	1.01	2.07
Un-adjusted consideration for revenue contract	41.83	42.26
Capital advances	512.48	251.90
Total other assets- non-current	**555.32**	**296.23**
Current		
Prepaid expenses	91.49	59.79
Loans and advances to employees	2.94	3.29
Advance to suppliers for goods and services	119.10	108.82
Balance with government authorities	415.49	297.80
Un-adjusted consideration for revenue contract	14.24	19.23
Other assets	141.28	74.22
Less: Allowance for doubtful advances	(20.38)	(21.59)
Total other assets- current	**764.16**	**541.56**

10 INVENTORIES

	As at 31st March 2022	As at 31st March 2021
Raw materials and components *	1,107.86	984.56
Work-in-progress**	326.07	268.18
Finished goods***	1,810.54	1,431.98
Stores and spares	126.60	174.24
Loose tools	48.68	39.06
Dies, jigs and fixtures	197.09	146.78
Scrap	16.92	10.77
Total	**3,633.75**	**3,055.57**

Total inventory is net of 'provision for obsolete and slow moving inventory' amounting to ₹ 54.50 million (31st March 2021: ₹ 47.52 million)

* Includes raw materials and components in transit amounting ₹ 50.16 million (31st March 2021: ₹ 72.28 million)

* Includes raw materials and components with the vendors sent for job work ₹ 11.80 million (31st March 2021: ₹ 12.19 million)

** Includes inventory with the vendors sent for job work ₹ 108.98 million (31st March 2021: ₹ 98.49 million)

*** Includes goods in transit ₹ 476.94 million (31st March 2021: ₹ 361.07 million)

11 TRADE RECEIVABLES

	As at 31st March 2022	As at 31st March 2021
Unsecured		
Trade receivables considered good	4,451.89	4,169.87
Trade receivables - credit impaired	7.42	2.97
Less: Allowances for expected credit loss	(7.42)	(2.97)
Total trade receivables	**4,451.89**	**4,169.87**

Notes:

(i) Refer note 37 for receivable balance from related parties.

(ii) Refer note 33 - Financial instruments for assessment of expected credit losses.

(iii) There are no discputed dues from customes

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Trade receivables ageing schedule as at 31st March 2022

Particulars	Outstanding for following periods from due date of payment							Total
	Unbilled Dues	Not Due	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Trade receivables - considered good	34.79	3,884.76	490.83	39.47	2.03	–	–	4,451.89
(ii) Trade receivables - credit impaired	–	0.16	1.07	1.09	2.32	1.09	1.69	7.42

Trade receivables ageing schedule as at 31st March 2021

Particulars	Outstanding for following periods from due date of payment							Total
	Unbilled Dues	Not Due	Less than 6 months	6 months-1 year	1-2 years	2-3 years	More than 3 years	
(i) Trade receivables - considered good	11.59	3,217.48	928.02	9.87	2.63	0.27	0.00	4,169.87
(ii) Trade receivables - credit impaired	–	–	0.04	0.16	0.38	–	2.39	2.97

12 CASH AND CASH EQUIVALENTS

	As at 31st March 2022	As at 31st March 2021
Balance with banks		
– in current accounts	480.60	247.97
Cash on hand	0.14	0.11
Cheque on hand	53.17	–
Bank deposits with original maturity of less than three months	2.15	1.40
Total cash and cash equivalents	**536.06**	**249.48**

13 OTHER BANK BALANCES

	As at 31st March 2022	As at 31st March 2021
Bank deposits with original maturity of more than three months but residual maturiry of less than twelve months	236.46	26.27
Total other bank balances	**236.46**	**26.27**

14 (A) EQUITY SHARE CAPITAL

	As at 31st March 2022	As at 31st March 2021
Authorised share capital		
1,148,500,000 (31st March 2021: 998,500,000) equity shares of ₹ 10 each)	11,485.00	9,985.00
Issued, subscribed and paid up share capital		
58,43,52,710 (31st March 2021: 572,980,560) equity shares of ₹ 10 each fully paid up	5,843.53	5,729.81

i) Reconciliation of shares outstanding at the beginning and at the end of the year

Number of shares	As at 31st March 2022	As at 31st March 2021
Equity shares outstanding at the beginning of the year	57,29,80,560	4,71,53,944
Add : Conversion of compulsory convertible preference shares into equity shares (refer note 14(B) iv below)	-	5,94,436
Add : Issue of shares	1,13,72,150	-
Add : Bonus shares issued during the year (refer note iv below)	-	52,52,32,180
Equity shares outstanding at the end of the year	**58,43,52,710**	**57,29,80,560**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Amount	As at 31st March 2022	As at 31st March 2021
Equity shares outstanding at the beginning of the year	5,729.81	471.54
Add : Conversion of compulsory convertible preference shares into equity shares (refer note 14(B) iv below)	-	5.94
Add : Issue of shares	113.72	-
Add : Bonus shares issued during the year (refer note iv below)	-	5,252.32
Equity shares outstanding at the end of the year	**5,843.53**	**5,729.81**

ii) Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity share holders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

iii) Shares of the Company held by Holding Company

	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	–	37,97,71,512

iv) Details of shareholders holding more than 5% of the total number of equity shares in the Company

Number of shares	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	19,93,59,141	37,97,71,512
Sona Autocomp Holding Private Limited (formerly known as Sona Autocomp Holding Limited)	19,32,08,904	19,32,08,904

Percentage	As at 31st March 2022	As at 31st March 2021
Singapore VII Topco III Pte. Ltd.	34.12%	66.28%
Sona Autocomp Holding Private Limited (formerly known as Sona Autocomp Holding Limited)	33.06%	33.72%

v) The Board of Directors of the Company have approved the following: issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each (including the equity shares issued upon conversion of the Compulsorily Convertible Preference Shares (CCPS) and accordingly 525,232,180 bonus shares were issued, which were alloted on 10th February 2020. Other than this, the Company has not issued any shares pursuant to contracts without payment being received in cash, or allotted as fully paid up by way of bonus shares during the period ended 31st March 2022 and five years immediately preceeding the year ended 31st March 2021.

vi) Promoters shareholding

Shareholding of promoters as on 31st March 2022

Promoter name	Number of shares	% of total shares	% change during the period (refer note 52)
Singapore VII Topco III Pte. Ltd.	19,93,59,141	34.12	(32.16)
Sona Autocomp Holding Private Limited	19,32,08,904	33.06	(0.66)
*Rani Kapur- RK Family Trust	72	**	–
*Ashok Sachdev	151	**	–
*Jasbir Sachdev	361	**	–
*Charu Sachdev	423	**	–
Total	**39,25,69,052**	**67**	**–**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Shareholding of promoters as on 31st March 2021

Promoter name	Number of shares	% of total shares	% change during the year
Singapore VII Topco III Pte. Ltd.	37,97,71,512	66.28	0.43#
Sona Autocomp Holding Private Limited	19,32,08,904	33.72	(0.43)#
*Rani Kapur- RK Family Trust	72	**	–
Total	**57,29,80,488**	**100**	**–**

* Promoter Group

** Percentage is negligible

\# Change in percentage is due to issuance of compulsorily convertible preference shares

14 (B) INSTRUMENTS ENTIRELY EQUITY IN NATURE

	As at 31st March 2022	As at 31st March 2021
Authorised share capital		
1,500,000 (31st March 2021: 1,500,000) preference shares of ₹ 10 each	15.00	15.00
Issued, subscribed and paid up share capital		
Nil (31st March 2021: Nil) Compulsorily convertible preference shares of ₹ 10 each fully paid up	–	–

i) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Number of shares	As at 31st March 2022	As at 31st March 2021
Compulsorily convertible preference shares outstanding at the beginning of the year	–	594,436
Less : Conversion of compulsory convertible preference shares into equity shares (Refer Note below (iv))	–	(594,436)
Compulsorily convertible preference shares outstanding at the end of the year	**–**	**–**

Amount	As at 31st March 2022	As at 31st March 2021
Compulsorily convertible preference shares outstanding at the beginning of the year	–	5.94
Less : Conversion of compulsory convertible preference shares into equity shares (Refer Note below (iv))	–	(5.94)
Compulsorily convertible preference shares outstanding at the end of the year	**–**	**–**

ii) Rights, preferences and restrictions attached to preference shares

Each compulsorily convertible preference shares (CCPS) has a par value of ₹10 and would be converted into equity shares of the holding company on the date falling five years from the date of issue of such CCPS or the last date of conversion under applicable laws, whichever is earlier. The preference shareholders shall receive a dividend of 0.01% per annum and carry a preferential right vis-à-vis equity shares of the holding company with respect to payment of dividend or repayment of capital. Each CCPS shall have the same voting as that given to the equity shareholders in the shareholders' meeting, to the extent of their respective ownership of equity shares (assuming the CCPS have been converted into equity shares in accordance with their terms).The preference shares shall have preferential rights vis-a-vis the equity shares, with respect to interest and other distribution rights and rights on liquidation, dissolution and winding up of the affairs of the holding company.

iii) In the board meeting on 27th January 2021 the board Board of Directors of the Company has approved the conversion of the compulsorily convertible preference shares (CCPS) into the equity shares of the Company in accordance with the Share Subscription and Share Purchase Agreement dated 16th October 2018 executed between *inter alia*, the Company and the Investor. Number of equity shares issued against conversion of CCPS : 594,436.

iv) The Board of Directors of the Company has approved the following:issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each (including the equity shares issued upon conversion of the Compulsorily Convertible Preference Shares (CCPS) and accordingly 525,232,180 bonus shares were issued, which were alloted on 10th February 2020. Other than this, the Company has not issued any shares pursuant to contracts without payment being received in cash, or allotted as fully paid up by way of bonus shares during the period ended 31st March 2022 and five years immediately preceeding the year ended 31st March 2021.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

15 OTHER EQUITY

	As at 31st March 2022	As at 31st March 2021
Retained earnings	7,958.43	4,804.32
General reserve	120.00	120.00
Securities premium	5,522.99	2,608.05
Capital redemption reserve	25.93	25.93
Equity instruments through other comprehensive income	(328.28)	(328.28)
Employee's stock options reserve	64.53	45.37
Foreign currency translation reserve	58.61	16.92
Merger Reserve	737.23	737.23
Total reserves and surplus	**14,159.44**	**8,029.53**

a) Retained earnings

	As at 31st March 2022	As at 31st March 2021
Opening balance	4,804.32	3,553.06
Net profit for the year	3,615.43	2,151.65
Remeasurement of defined benefit obligations, net of tax	(11.65)	3.64
Less:-Dividend paid	(449.95)	(904.03)
Add: Tranferred from ESOP reserve for option lapsed during the period (Refer note 45)	0.28	–
Closing balance	**7,958.43**	**4,804.32**

Retained earnings are created from the profit of the Company, as adjusted for distribution to owners, transfer to other reserve, remeasurement of defined benefit plan, etc.

b) General reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	120.00	120.00
Closing balance	**120.00**	**120.00**

The Company transferred a portion of the net profit before declaring dividend to general reserve pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act, 2013. This reserve is available for distribution to shareholders in accordance with provisions of Companies Act, 2013.

c) Securities premium

	As at 31st March 2022	As at 31st March 2021
Opening balance	2,608.05	7,881.34
Premium on fresh issue of equity shares	2,927.03	–
Less: Expense related to capital raising	(59.26)	–
Less : Premium paid on issue of bonus shares	–	(5,252.32)
Add : Impact on ESOP shares issuance	47.17	–
Less: Stamp duty paid for increase in authorised share capital	–	(20.97)
Closing balance	**5,522.99**	**2,608.05**

Securities premium represents premium received on issuance of shares. The balance is utilised in accordance with the provisions of the Companies Act, 2013.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

d) Capital redemption reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	25.93	25.93
Transferred from retained earnings	–	–
Closing balance	**25.93**	**25.93**

'Companies Act, 2013 requires that where a Company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to a capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet. The capital redemption reserve account may be applied by the Company, in paying up unissued shares of the Company to be issued to shareholders of the Company as fully paid bonus shares. The Company established this reserve pursuant to the buyback of shares in earlier years.

e) Merger Reserve

	As at 31st March 2022	As at 31st March 2021
Opening balance	737.23	737.23
Movement during the year	–	–
Closing balance	**737.23**	**737.23**

Merger Reserve has been created pursuant to merger of Sona BLW Precision Forgings Limited and Comstar Automotive Technology Private Limited. (refer note 49)

f) Equity instruments through other comprehensive income

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. Such fair value changes are not reclassified to profit or loss even upon disposal of the investment, but are transferred to retained earnings.

	As at 31st March 2022	As at 31st March 2021
Opening balance	(328.28)	(309.28)
Add: Net changes in fair values of equity instruments carried at fair value through other comprehensive income	–	(19.00)
Closing balance	**(328.28)**	**(328.28)**

g) Employee's stock options outstanding reserve

This reserve represents the shared based compensation expense recorded with the respect to options granted to employees as and when the related grant conditions are met and is adjusted on exercise/ forfeiture of options.

	As at 31st March 2022	As at 31st March 2021
Opening balance	45.37	–
Add: Created during the year	66.61	45.37
Less: Utilised during the year	(47.17)	–
Less: Transferred to retained earning for option lapsed during the period (refer Note 45)	(0.28)	–
Closing balance	**64.53**	**45.37**

h) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed-off.

	As at 31st March 2022	As at 31st March 2021
Opening balance	16.92	14.00
Currency translation during the year	41.70	2.92
Closing balance	**58.62**	**16.92**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

16 BORROWINGS

i) Non-current borrowings

	As at 31st March 2022	As at 31st March 2021
Secured		
Term loans from banks		
Indian rupee loans	450.00	2,473.34
Vehicle loans	–	8.07
Deferred payment liabilities	–	20.13
	450.00	**2,501.54**
Less: Amount disclosed under current borrowings (refer note (ii) below)	(12.50)	(594.53)
Total non-current borrowings	**437.50**	**1,907.01**

ii) Current borrowings

	As at 31st March 2022	As at 31st March 2021
Indian Rupee loans repayable on demand from banks - secured	57.59	1,042.05
Current Maturities of non-current borrowings	12.50	574.40
Current Maturities of deferred payment liabilities	–	20.13
Indian Rupee loans repayable on demand (from NBFC) - Unsecured**	196.11	102.94
Total current borrowings	**266.20**	**1,739.52**

** The parent company entered into factoring arrangements with recourse for its trade receivables with Tata Capital Financial Services Limited. As at 31st March 2022 the parent company had factoring facilities in place for trade receivables and amount of ₹ 196.11 million (31 March 2021: ₹102.94 million) were realised by using these facilities against which the monies were yet to be collected by the financial institution from the parent company's customers. The parent company does not derecognise the receivables from its books since, it does not transfer substantially all the risks and rewards of ownership of the financial asset (i.e. receivables) and a corresponding liability towards the banks is recognised in respect of aforementioned amounts so realised by the parent company from the banks but yet to be collected by the financial institution from the parent company's customers.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

iii) Terms of Long-term borrowing

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC (Term loan) -1	Outstanding Amount (₹ million)	–	197.12
	Interest rate		0.50% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of the company 2. Second *pari passu* charge on current assets (present and future) of the company
	Repayment schedule		Quarterly Instalments 4 Installment for ₹ 22.24 million (Total ₹ 88.96) 4 Installment for ₹ 26.69 million (Total ₹ 106.75 million)
HDFC (Term loan) - 2	Outstanding Amount (₹ million)	–	776.72
	Interest rate		0.50% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of company 2. Second *pari passu* charge on current assets (present and future) of company
	Repayment schedule		Quarterly 11 instalments of ₹ 70.15 each total amounting ₹ 771.60 million
HDFC (Term loan) - 3	Outstanding Amount (₹ million)	–	688.03
	Interest rate		0.85% above one year MCLR of HDFC Bank
	Security		1. First *pari passu* charge on entire movable & immovable fixed assets of the company 2. Second *pari passu* charge on current assets (present and future) of the company
	Repayment schedule		Quarterly 18 Installment for ₹ 37.96 million each starting from 1st October 2021 (Total ₹ 683.28 million)
HDFC (Term loan) - 4	Outstanding Amount (₹ million)	–	458.18
	Interest rate		0.20% above six month MCLR of HDFC Bank
	Security		1. Movable Fixed assets: First pari-passu charge on the entire movable fixed assets, present and future of the Company 2. Immovable Fixed assets: First paripassu charge on the immoveable fixed assets situated at Gurgaon. 3. Current Assets: Second paripassu charge on entire current assets of the Company, both present and future
	Repayment schedule		Quarterly 16 Installment for ₹ 28.48 million each starting from 23rd December 2022 (Total amounting ₹ 455.73 million)

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC (Term loan) - 5	Outstanding Amount (₹ million)	351.36	
	Interest rate	3M T Bill +1.51% P.A.	
	Security	1. Movable Fixed Assets: First *pari passu* charge on the entire moveable fixed assets, present and future, of the company 2. Immovable Fixed Assets: First *pari passu* charge on the immoveable fixed assets situated at Gurgaon 3. Second *pari passu* charge on entire current assets of the Company	
	Repayment schedule	Quarterly Installment 12 Installment of ₹ 29.17 million each starting from October 2023	
Citi Bank (Term loan) 2	Outstanding Amount (₹ million)	100.55	377.31
	Interest rate	3 Months T-Bill Rate + 2.00% PA	3 Months T-Bill Rate +3.67%
	Security	1. Movable Fixed Assets: First *pari passu* charge on the entire moveable fixed assets, present and future, of the company• 2. Immovable Fixed Assets: First *pari passu* charge on the immoveable fixed assets situated at Gurgaon 3. Second *pari passu* charge on entire current assets of the Company	
	Repayment schedule	Quarterly Installment 16 Installment of ₹ 6.25 million eanch starting from December 2022	Quarterly Instalments 12 Installments of ₹ 31.25 million each total amounting ₹ 375.00 million
Citi Bank (Term loan) 1	Outstanding Amount (₹ million)		377.31
	Interest rate		3 Months T-Bill Rate +3.67%
	Security		1. First *pari passu* charge on entire fixed assets of company excluding immovable fixed assets situated at Pune. 2. Second *pari passu* charge on entire current assets of the company
	Repayment schedule		Quarterly Instalments 12 Installments of ₹ 31.25 million each total amounting ₹ 375.00 million
Yes Bank (Vehicle loan)	Outstanding Amount (₹ million)		3.01
	Interest rate		Interest ranging from 8.39% 9.61%
	Security		Vehicle
	Repayment schedule		Monthly instalment ranging from 24~33 EMI's and amount ranging from ₹ 12,236 ~ ₹ 37,752.
HDFC (Vehicle loan)	Outstanding Amount (₹ million)		5.11
	Interest rate		Interest ranging from 7.75% to 9%
	Security		Vehicle
	Repayment schedule		Monthly installment ranging from 32~56 EMI's and amount ranging from ₹ 10,455 ~ ₹ 77,150.
Deferred payment liabilities	Outstanding Amount (₹ million)		20.13

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
State Bank of India New Delhi-EPC	Outstanding Amount (₹ million)	–	0.10
	Interest rate		MCLR(1yr)+55 bps(5.6%-6.05%)
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second charge is on all fixed assets of the company
	Repayment schedule		Repayable on demand
State Bank of India New Delhi-CC	Outstanding Amount (₹ million)	0.02	39.56
	Interest rate	MCLR (06 Month) +15 bps	MCLR(1yr)+85 bps v
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	First *pari passu* on the entire (present & future) current assets of the Company, Second on all fixed assets of the company
	Repayment schedule	Repayable on demand	Repayable on demand
Citi Bank-EPC	Outstanding Amount (₹ million)	–	143.58
	Interest rate		Mutually agreed 6.5% / 3.5% (before / after interest subvention)
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second on all movable fixed assets of the company and immovable property of gurgaon plant only.
	Repayment schedule		Repayable on demand
IndusInd Bank-CC	Outstanding Amount (₹ million)	–	–
	Interest rate		MCLR(1yr)+80 bps
	Security		First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule		Repayable on demand
HDFC Bank -CC	Outstanding Amount (₹ million)	0.09	13.12
	Interest rate	7.20% PA linked with 1Y MCLR	MCLR(1yr)+130 bps
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule	Repayable on demand	Repayable on demand

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Name of Bank/Financial institution	Particulars	As at 31st March 2022	As at 31st March 2021
HDFC Bank - WCDL	Outstanding Amount (₹ million)	57.03	–
	Interest rate	4.60% PA linked with T-Bill	
	Security	1. First pari-passu Charge on entire current assets of the company, both present and future. 2. Second Pari-Passu charge in entire movable fixed assets of the company 3. Second Pari-Passu charge on Immovable fixed assets of the company situated at Gurgaon plant.	
	Repayment schedule	Repayable on demand	
HDFC Bank -EPC 1	Outstanding Amount (₹ million)	–	336.01
	Interest rate		As mutually agreed 4.3% / 7.3% (before / after interest subvention)
	Security		First *pari passu* on all current assets of the company. Second on fixed assets(present & future) of the company
	Repayment schedule		Repayable on demand
Yes Bank-CC	Outstanding Amount (₹ million)	–	–
	Interest rate		3 months MCLR +60% p.a (7.5%-9.8%)
	Security		First *pari passu* on the entire (present & future) current assets of the Company, Second on all movable fixed assets of the company and immovable property of gurgaon plant only.
	Repayment schedule		Repayable on demand
Short Term PCFC Loan-HDFC Bank	Outstanding Amount (₹ million)	–	487.08
	Interest rate		Average rate - 4.21%
	Security		Secured by first charge on entire stock and book debt.
	Repayment schedule		Repayable on demand
Overdraft Facility- HDFC Bank	Outstanding Amount (₹ million)	–	22.61
	Interest rate		Average rate- 8.75%
	Security		Secured by first charge on entire stock and book debt.
	Repayment schedule		Repayable within 180 days
Tata Capital loan-Financial Institution	Outstanding Amount (₹ million)	126.60	62.64
	Interest rate	The interest rate agreed with customer is 0.45% for 30 days credit period (current effective rate is 5.48% p.a.).	
	Security	Trade receivables against corresponding loan	
Tata Capital loan-Financial Institution	Repayment schedule	69.51	40.30
	Interest rate	The interest rate agreed with customer is 0.42% for 60 days credit period (current effective rate is 2.69% p.a.).	
	Security	Trade receivables against corresponding loan	

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

iv) Reconciliation of liabilities arising from financing activities (as per requirements of Ind AS 7 'Statement of cashflows')

The changes of the Company's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings	Short-term borrowings	Leases	Total
Balance as at 1st April 2020	**2,221.73**	**846.09**	**604.06**	**3,671.88**
Cash Flows:				
Repayment of non-current borrowings	(407.97)	-	-	(407.97)
Proceeds from non-current borrowings	717.57	-	-	717.57
Proceeds from current borrowings (net)	-	298.52	-	298.52
Repayment of Deferred payment liabilities	(12.47)	-	-	(12.47)
Repayment of lease liabilities	-	-	(91.34)	(91.34)
Non-cash changes				
Amortisation of transaction cost based on effective interest rate	(2.32)	-	-	(2.32)
Unwinding of discount on deferred payment liablities	1.07	-	-	1.07
Interest expense on lease liabilities	-	-	73.37	73.37
Creation of lease liabilities under Ind AS 116	-	-	239.33	239.33
Interest accrued on long-term borrowing movement	(16.07)	-	-	(16.07)
Other movement	0.01	0.38	0.00	0.39
Balance As at 31st March 2021	**2,501.54**	**1,144.99**	**825.42**	**8,159.51**
Cash Flows:				
Repayment of non-current borrowings	(2,505.67)	-	-	(2,505.67)
Proceeds from non-current borrowings	450.00	-	-	450.00
Proceeds from current borrowings (net)	-	(898.02)	-	(898.02)
Repayment of Deferred payment liabilities	(21.04)	-	-	(21.04)
Repayment of lease liabilities	-	-	(101.37)	(101.37)
Non-cash changes				
Amortisation of transaction cost based on effective interest rate	10.12	-	-	10.12
Unwinding of discount on deferred payment liablities	0.91	-	-	0.91
Interest expense on lease liabilities	-	-	76.99	76.99
Interest accrued on long-term borrowing movement	14.16			
Creation of lease liabilities under Ind AS 116	-	-	-	-
Other movement	(0.01)	6.73	6.74	13.46
Balance As at 31st March 2022	**450.00**	**253.70**	**807.78**	**5,171.43**

17 OTHER FINANCIAL LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Non-current		
Security deposits	1.74	1.24
Total other financial liabilities - non-current	**1.74**	**1.24**
Current		
Interest accrued but not due on borrowings	1.91	16.07
Employee benefits payable	156.28	55.81
Capital creditors	687.76	131.92
Other payables	32.04	30.46
Total other financial liabilities - current	**877.98**	**234.26**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

18 PROVISIONS

	As at 31st March 2022	As at 31st March 2021
Non-current		
Provision for compensated absences (refer below)	80.40	73.58
Provision for defined benefit plans (refer note 39)	0.55	2.70
Provision for warranty (refer below)	19.48	10.50
Total provisions - non-current	**100.44**	**86.78**
Current		
Provision for compensated absences (refer below)	43.33	27.66
Provision for defined benefit plans (refer note 39)	39.05	26.29
Provision for warranty (refer below)	23.23	18.74
Total provisions - current	**105.61**	**72.69**

The reconciliation of the carrying amount of provision from beginnning of the year to end of the year is provided below:

	As at 31st March 2022	As at 31st March 2021
Provision for Compensated Absences		
Opening balance	101.24	59.90
Additions	48.29	75.09
Amounts utilised	(25.80)	(33.75)
Closing balance	**123.73**	**101.24**
Provision for Warranty		
Opening balance	29.24	27.00
Additions	17.96	12.02
Amounts utilised	(4.48)	(9.78)
Closing balance	**42.71**	**29.24**

19 DEFERRED TAX LIABILITIES (NET)

	As at 31st March 2022	As at 31st March 2021
Deferred tax liabilities		
Property, plant and equipment and intangible assets	935.48	979.62
Others	12.77	18.02
Total deferred tax liabilities	**948.25**	**997.64**
Deferred tax assets		
Provision for employee benefits obligation	50.52	40.20
Others	13.87	16.67
Total deferred tax assets	**64.39**	**56.87**
Net deferred tax liabilities	**883.86**	**940.76**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

a) Movement in deferred tax assets/liabilities

Movement in deferred tax liabilities	31st March 2022	31st March 2021
Property, plant and equipment and intangible assets		
Opening balance	979.62	381.34
Add: Effect of business combination	–	297.29
Opening balance (post business combination)	**979.62**	**678.64**
Charged/(credited):		
– to profit or loss	(44.14)	300.99
Closing balance	**935.48**	**979.62**
Provision for employee benefits obligation		
Opening balance	(40.20)	(13.52)
Add: Effect of business combination	–	(18.77)
Opening balance (post business combination)	**(40.20)**	**(32.29)**
Charged/(credited):		
– to profit or loss	(6.45)	(6.71)
– to other comprehensive income	(3.87)	(1.19)
Closing balance	**(50.52)**	**(40.20)**
Others Deferred tax liabilities		
Opening balance	(16.67)	(24.21)
Add: Effect of business combination	-	-
Opening balance (post business combination)	**(16.67)**	**(24.21)**
Charged/(credited):		
– to profit or loss	2.81	7.54
Closing balance	**(13.87)**	**(16.67)**
Others Deferred tax Assets		
Opening balance	18.02	–
Add: Effect of business combination	–	(31.10)
Opening balance (post business combination)	**18.02**	**(31.10)**
Charged/(credited):		
– to profit or loss	(5.24)	49.12
Closing balance	12.77	18.02

Deferred tax assets amounting to ₹ 82.62 million as at 31st March 2022 (31st March 2021: ₹ 82.62 million) on fair value adjustment recognised in respect of investments held in Sona Holding B.V. The Netherlands has not been recognised due to uncertainty regarding the allowability of such loss.

20 TRADE PAYABLES

	As at 31st March 2022	As at 31st March 2021
Trade payables		
– micro enterprises and small enterprises	387.18	495.83
– other than micro enterprises and small enterprises	1,802.56	1,745.26
Total Trade payables	**2,189.74**	**2,241.09**

Note:

(i) Refer note 37 for balance payable to related parties

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Trade payables ageing schedule as at 31st March 2022

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 year	
(i) MSME	4.36	307.05	69.83	5.71	0.23	0.00	387.18
(ii) Others	317.44	1,169.98	302.52	7.95	1.89	2.79	1,802.56
Total	**321.80**	**1,477.03**	**372.35**	**13.65**	**2.12**	**2.79**	**2,189.74**

Trade payables ageing schedule as at 31st March 2021

Particulars	Outstanding for following periods from due date of payment						Total
	Unbilled	Not Due	Less than 1 year	1-2 years	2-3 years	More than 3 year	
(i) MSME	3.84	447.77	43.94	-	0.17	0.12	495.83
(ii) Others	289.12	1,068.60	377.47	3.51	2.60	3.96	1,745.26
Total	**292.97**	**1,516.37**	**421.40**	**3.51**	**2.77**	**4.07**	**2,241.09**

21 OTHER CURRENT LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Statutory dues payable	65.75	79.11
– Advance from customers (refer note 44)	86.36	91.66
– Contract Liability (refer note 44)	70.00	–
– Others	0.06	–
Total current liabilities	**222.17**	**170.77**

22 CURRENT TAX LIABILITIES

	As at 31st March 2022	As at 31st March 2021
Income tax liabilities (net)(Net of advance tax ₹ 736.14 million)	61.60	–
Total current tax liabilities	**61.60**	**–**

23 REVENUE FROM OPERATIONS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Sale of goods	20,332.84	14,917.63
Other operating revenue		
Scrap sales	449.96	237.46
Export incentive	249.86	133.29
Liabilities written back	53.17	0.00
Foreign exchange gain (net)	209.62	357.34
Royalty income	8.65	16.41
Others	2.29	0.85
Total revenue from operations	**21,306.40**	**15,663.00**

24 OTHER INCOME

	For the year ended 31st March 2022	For the year ended 31st March 2021
Interest income from bank	13.06	22.75
Interest income from income tax refund	182.68	–
Profit on sale of investments at fair value (net)	0.03	–
Others	4.47	0.67
Total other income	**200.26**	**23.41**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

25 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Inventories at the beginning of the year		
Work-in-progress	268.18	163.30
Finished goods	1,431.98	895.18
	1,700.16	**1,058.48**
Inventories at the end of the year		
Work-in-progress	326.07	268.18
Finished goods	1,810.54	1,431.98
	2,136.61	**1,700.16**
Changes in inventories	**(436.45)**	**(641.68)**

26 EMPLOYEE BENEFITS EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Salaries, wages and allowances	1,368.69	1,217.37
Contribution to provident and other funds (refer note 39)	84.12	79.86
Staff welfare expenses	169.36	131.89
Share based payment to employees (refer note 45)	66.60	45.37
Total employee benefits expense	**1,688.77**	**1,474.49**

27 FINANCE COSTS

	For the year ended 31st March 2022	For the year ended 31st March 2021
Interest on loans	71.02	213.06
Other borrowing costs	3.04	5.12
Bank and other finance charges	31.52	16.59
'Interest on lease liabilities (refer note 43)	76.99	73.37
Interest expenses on others	–	17.01
Total finance costs	**182.57**	**325.15**

28 DEPRECIATION AND AMORTISATION EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Depreciation of property, plant and equipment	810.32	555.25
Amortisation of intangible assets	523.06	344.44
Amortisation of right-of-use assets	86.26	71.77
Less: Transfer to Capital work-in-progress	–	(2.07)
Total depreciation and amortisation expense	**1,419.65**	**969.40**

29 OTHER EXPENSES

	For the year ended 31st March 2022	For the year ended 31st March 2021
Consumption of stores, spares and tool	1,012.63	664.06
Power and fuel	484.30	390.89
Freight, clearing and forwarding charges	381.59	287.02
Packing material	317.55	198.47
Sub contracting cost	747.85	592.81
Rent (refer note 43)	31.43	21.15
Repairs and maintenance - plant and machinery	311.97	248.90
Repair and maintenance - buildings	16.01	19.16
Repair and maintenance - others	146.47	121.58

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

	For the year ended 31st March 2022	For the year ended 31st March 2021
Manpower hiring on contract	388.71	287.72
Legal and professional charges	236.97	152.43
Rates and taxes	12.22	9.09
Insurance	55.51	35.06
Travelling, conveyance and vehicle expenses	120.75	90.53
Communication and stationery expenses	24.56	17.02
Security charges	21.69	16.28
Corporate social responsibility expense	54.74	53.95
Business promotion	13.10	9.14
Directors sitting fees	33.68	27.01
Loss on sale of property plant and equipments (net)	9.14	2.92
Provision for warranty	17.96	12.02
Miscellaneous expenses	132.22	68.04
Total other expenses	**4,571.04**	**3,325.25**

30 EXCEPTIONAL ITEM

	For the year ended 31st March 2022	For the year ended 31st March 2021
Expenditure incurred for listing and offer for sale of shares (refer note 50)	(132.70)	139.06
	(132.70)	**139.06**

31 INCOME TAX EXPENSE

	For the year ended 31st March 2022	For the year ended 31st March 2021
Current tax	893.92	497.38
Tax related to previous years	(134.62)	–
Deferred tax charge/(credit)	(52.98)	350.93
Total Income Tax expense	**706.32**	**848.31**

a) The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

	For the year ended 31st March 2022	For the year ended 31st March 2021
Profit before income tax expense	4,321.75	2,999.96
Income tax as per statement of profit and loss	706.32	848.31
Tax at the Indian tax rate of 25.168% (31st March 2020: 25.168%)	**1,087.65**	**755.00**
Effect of non-deductible expenses	9.26	15.63
Transaction cost of an equity transaction	(3.30)	–
Dividend from foreign subsidiary at a lower rate	(25.19)	–
Tax effect of ESOP exercised	(126.81)	–
Income taxable at a lower rate	–	(29.28)
Difference in tax rate of subsidiary companies	(43.94)	75.28
Lower tax paid in respect of dividend income dut to change in tax position of FY 2020-21	(82.71)	–
Previous year related principal receipt which was written-off in previous years	(91.00)	–
Others	(17.64)	31.68
Income tax expense (as per statement of profit and loss)	**706.32**	**848.31**

* The Company has received income tax refunds during the years. The difference between the refunds so received toward principal and tax receivable as per books is recorded as tax for the earlier years. Interest amounting to ₹ 155.71 million has been recorded under the head other income

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

32 RESEARCH AND DEVELOPMENT EXPENSES

	For the year ended 31st March 2022	For the year ended 31st March 2021
Revenue expenditure charged to statement of profit and loss	269.98	137.38
– Capital expenditure	171.74	777.65
Total research expenses	**441.72**	**915.03**

33 FAIR VALUE MEASUREMENTS

a) Financial instruments by category

	For the year ended 31st March 2022			For the year ended 31st March 2021		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Loans	–	–	–	–	–	–
Trade receivables	–	–	4,451.89	–	–	4,169.87
Cash and bank balances	–	–	772.52	–	–	275.75
Other financial assets	–	–	99.84	–	–	76.62
Derivative financial assets	29.49	–	–	147.87	–	–
Current Investments	65.30	–	–	–	–	–
Total financial assets	**94.79**	**–**	**5,324.25**	**147.87**	**–**	**4,522.24**
Financial liabilities						
Borrowings	–	–	705.61	–	–	3,662.60
Trade payables	–	–	2,189.75	–	–	2,241.09
Other financial liabilities	–	–	877.82	–	–	219.43
Lease liabilities	–	–	807.78	–	–	825.42
Total financial liabilities	**–**	**–**	**4,580.96**	**–**	**–**	**6,948.54**

b) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial investments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath.

i) Assets and liabilities measured at fair value - recurring fair value measurements

	Level 1	Level 2	Level 3
As at 31st March 2022			
Foreign exchange forward contracts - asset	–	29.49	–
Total financial assets	**–**	**29.49**	**–**
As at 31st March 2021			
Foreign exchange forward contracts- asset	–	147.87	–
Total financial assets	**–**	**147.87**	**–**
Investments measured at fair value through other comprehensive income	–	–	19.00
Total financial assets	**–**	**–**	**19.00**

ii) Fair value of instruments measured at amortised cost

	Level	As at 31st March 2022		As at 31st March 2021	
		Carrying value	Fair value	Carrying amount	Fair value
Financial assets					
Trade receivables	Level 3	4,451.89	4,451.89	4,169.87	4,169.87
Cash and bank balances	Level 3	772.52	772.52	275.75	275.75
Other financial assets	Level 3	99.84	99.84	76.62	76.62
Total financial assets		**5,324.25**	**5,324.25**	**4,522.24**	**4,522.24**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

	Level	As at 31st March 2022		As at 31st March 2021	
		Carrying value	Fair value	Carrying amount	Fair value
Financial liabilities					
Borrowings	Level 3	705.61	705.61	3,662.60	3,662.60
Lease liabilities	Level 3	2,189.75	2,189.75	825.42	825.42
Trade payable	Level 3	877.82	877.82	2,241.09	2,241.09
Other financial liability	Level 3	807.78	807.78	235.50	235.50
Total financial liabilities		**4,580.96**	**4,580.96**	**6,964.61**	**6,964.61**

There are no transfers amongst levels during the year.

Level 1: It includes financial instruments measured using quoted prices in active markets for identical assets or liabilities.

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs other than Level 1 inputs; and

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

34 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to provide finance to the Group to support its operations. The Group's principal financial assets include loans, trade and other receivables; cash and bank balances etc. that derive directly from its operations.

The Group's activities expose it to the financial risk of market risk, credit risk and liquidity risk . The Group enters into a certain derivative financial instrument to manage its exposure to foreign currency. There have been no major changes to the Group's exposure to market risk or the manner in which it manages and measures the risk in recent past. The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

(A) Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to discharge an obligation to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of following types of financial assets.

- Cash and cash equivalents
- Trade receivables
- Loans carried at amortised cost, and
- Other financial assets
- Derivative financial assets

(a) Credit Risk Management

(i) Credit risk rating

The Group assesses and manages credit risk of financial assets based on following categories arrived on the basis of assumptions, inputs and factors specific to the class of financial assets.

a) Low credit risk

b) Moderate credit risk

c) High credit risk

Based on business environment in which the Group operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Assets are written off when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or a litigation decided against the Group. The Group continues to engage with parties whose balances are written off and attempts to enforce repayment. Recoveries made are recognised in statement of profit and loss.

The Group provides for expected credit loss based on the following:

Asset group	Categorisation of items	Provision for expenses credit loss
Low credit risk	Cash and cash balances, loans, other financial assets and derivative financial assets	12 month expected credit loss/life time expected credit loss
Moderate credit risk	Trade receivables	Other financial assets-12 month expected credit loss,unless credit risk has increased significantly since initial recognition, in which case allowance is measured at lifetime expected credit loss.
High credit risk	Other financial assets	Other financial assets-lifetime expected credit loss (when there is a significant deterioration), or specific provision, whichever is higher.

In respect of trade receivables that result from contracts with customers, loss allowance is always measured at lifetime expected credit losses.

Financial assets that expose the entity to credit risk –

Credit rating	Particulars	As at 31st March 2022	As at 31st March 2021
Low credit risk	Cash and bank balances	772.52	275.75
	Other financial assets	99.84	76.62
	Derivative financial assets	29.49	147.87
Moderate credit risk	Trade receivables*	4,451.89	4,169.87

*These represent carrying values of financial assets, without deduction for expected credit losses

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country. In respect of derivative assets, the credit risk is considered negligible as counterparties are banks.

Trade receivables

To mitigate the credit risk related to trade receivables, the Group closely monitors the credit-worthiness of the trade receivables through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Group assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become past due.

Other financial assets measured at amortised cost

Other financial assets measured at amortised cost includes security deposits, other receivables etc. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system in place ensure the amounts are within defined limits.

(b) Expected credit losses for financial assets (other than trade receivables)

(i) Financial assets (other than trade receivables)

Group provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses.

For cash & cash equivalents and other Bank balances - Since the Group deals with only High-rated banks and financial institutions, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as low.

For loans comprising security deposits paid - Credit risk is considered low because the Group is in possession of the underlying asset.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

For other financial assets - Credit risk is evaluated based on Group knowledge of the Credit worthiness of those parties and loss allowance is measured. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the Group can draw to apply consistently to entire population. For such financial assets, the Group policy is to provide for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk. The Group does not have any expected loss based impairment recognised on such assets.

ii) Expected credit loss for trade receivables under simplified approach

The Group recognises lifetime expected credit losses on trade receivables using a simplified approach. In accordance with Ind AS 109, the Group uses expected credit loss model to assess the impairment loss. The Group uses a provision matrix to compute the expected credit loss allowance of trade receivables. The provision matrix takes into account available external and internal credit risk factors such as default risk of industry, historical experience for customers etc. However, the allowance for lifetime expected credit loss on customer balances for the year ended 31st March 2022, and for the years ended 31st March 2021 is insignificant.

Reconciliation of loss allowance

	For the year ended 31st March 2022	For the year ended 31st March 2021
At the beginning of year	2.97	3.94
Movement during the year	4.45	(0.97)
Total expected credit loss allowance	**7.42**	**2.97**

(B) Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to settle or meet its obligations on time or at reasonable price. The Group's objective is to at all times maintain optimum levels of liquidity to meet its cash and liquidity requirements. The Group closely monitors its liquidity position and maintains adequate source of financing through the use of short-term bank deposits, demand loans and cash credit facility. Processes and policies related to such risks are overseen by senior management.

(i) Maturities of financial liabilities

The table below provides details regarding the contractual maturities of significant financial liabilities:

Contractual maturities of financial liabilities: (undiscounted)

	Less than 1 year	1 to 5 years	More than 5 years	Total
31st March 2022				
Borrowings	291.07	479.45	–	770.51
Trade payables	2,189.75	–	–	2,189.75
Other financial liabilities	879.73	–	–	879.73
Lease liabilities	111.76	473.28	797.57	1,382.61
Total	**3,472.31**	**952.73**	**797.57**	**5,222.60**

	Less than 1 year	1 to 5 years	More than 5 years	Total
31st March 2021				
Borrowings	2,355.74	2,129.88	88.58	4,574.20
Trade payables	2,241.09	–	–	2,241.09
Other financial liabilities	219.43	–	–	219.43
Lease liabilities	105.27	447.68	911.61	1,464.56
Total	**4,921.53**	**2,577.56**	**1,000.19**	**8,499.28**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

(ii) Undrawn borrowing facilities

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	31st March 2022	31st March 2021
Expiring within one year (bank loans)	**1,567.85**	**670.99**

(C) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risks, such as equity price risk and commodity price risk. Financial instruments affected by market risks include loans and borrowings, deposits and foreign currency receivables and payables. The sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to risk of changes in borrowing rates. The Board continuously monitors the prevailing interest rates in the market.

Interest rate risk exposure

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

Particulars	As at 31st March 2022	As at 31st March 2021
Variable rate borrowings	1,123.61	3,634.40
Fixed rate borrowings	-	28.20
Total borrowings	**1,123.61**	**3,662.60**

Sensitivity

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

Impact on profit after tax	As at 31st March 2022	As at 31st March 2021
Interest rate increase by 1.00% (31st March 2021: 1.00%)*	17.80	24.92
Interest rate decrease by 1.00% (31st March 2021: 1.00%)*	(17.80)	(24.92)

* Holding other variables constant

(ii) Foreign currency risk

The Parent company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the trade receivables and payables. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (₹).

The Company's exposure to foreign currency risk at the end of the reporting period expressed as follows

Foreign currency	As at 31st March 2022	As at 31st March 2021
Trade receivables and others		
United States Dollar (USD)	31.54	43.67
Euro (EUR)	0.71	0.54
RMB	12.91	8.49
Others	–	0.08
Trade payables		
United States Dollar (USD)	8.12	8.97
Euro (EUR)	0.52	0.30
Japanese Yen (JPY)	0.62	76.77
Canadian Dollar (CAD)^	-	0.00
Swiss Franc (CHF)	0.01	0.01
Mexican Pesos (MXP)	1.48	
RMB	11.64	11.50
Others	0.03	2.76

^Rounded off to Nil

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Indian Rupee (₹)	As at 31st March 2022	As at 31st March 2021
Trade receivables and others		
United States Dollar (USD)	2,390.72	3,192.88
Euro (EUR)	59.64	46.49
RMB	154.15	94.51
Others	–	0.65
Trade payables		
United States Dollar (USD)	615.41	655.47
Euro (EUR)	44.12	25.38
Japanese Yen (JPY)	0.38	50.76
Canadian Dollar (CAD)^	–	0.15
Swiss Franc (CHF)	0.82	0.57
Mexican Pesos (MXP)	5.62	
RMB	138.95	128.11
Others	–	18.54

^Rounded off to Nil

Indian Rupee (₹)	As at 31st March 2022	As at 31st March 2021
Outstanding forward contracts as at the reporting date (Million USD)	88.97	89.09
Outstanding forward contracts as at the reporting date (₹)	6,872.34	7,242.86

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:-

Impact on profit after tax	For the year ended 31st March 2022	For the year ended 31st March 2021"
Net currency receivables/(payables)		
USD sensitivity		
₹/USD- increase by 1.00% (31st March 2021: 1.00%)*	13.29	18.99
₹/USD- decrease by 1.00% (31st March 2021: 1.00%)*	(13.29)	(18.99)
EUR sensitivity		
₹/EURO- increase by 1.00% (31st March 2021: 1.00%)*	0.12	0.16
₹/EURO- decrease by 1.00% (31st March 2021: 1.00%)*	(0.12)	(0.16)
JPY sensitivity		
₹/JPY- increase by 1.00% (31st March 2021: 1.00%)*	(0.00)	(0.38)
₹/JPY- decrease by 1.00% (31st March 2021: 1.00%)*	0.00	0.38
RMB sensitivity		
₹/RMB- increase by 1.00% (31st March 2021: 1.00%)*	0.11	(1.31)
₹/RMB- decrease by 1.00% (31st March 2021: 1.00%)*	(0.11)	1.31
CAD sensitivity		
₹/CAD- increase by 1.00% (31st March 2021: 1.00%)*	(0.01)	(0.00)
₹/CAD- decrease by 1.00% (31st March 2021: 1.00%)*	0.01	0.00
MXP sensitivity		
₹/MXP- increase by 1.00% (31st March 2021: 1.00%)*	(0.04)	–
₹/MXP decrease by 1.00% (31st March 2021: 1.00%)*	0.04	–
CHF sensitivity		
₹/CHF- increase by 1.00% (31st March 2021: 1.00%)*	(0.01)	–
₹/CHF- decrease by 1.00% (31st March 2021: 1.00%)*	–	–

*Holding other variables constant

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

35 CAPITAL MANAGEMENT

For the purposes of the Group's capital management, capital includes equity attributable to the equity holders of the Company and all other equity reserves. The primary objective of the Group's capital management is to ensure that it maintains an efficient capital structure and maximise shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using net debt to equity ratio, which is net debt (as reduced by cash and cash equivalent) divided by total equity.

	As at 31st March 2022	As at 31st March 2021
Long-term borrowings including current maturities (refer note 16)	450.00	2,501.54
Short-term borrowings (refer note 16)	253.70	1,165.12
Less: Cash and cash equivalents (refer note 12)	(536.06)	(249.48)
Net debts*	**167.64**	**3,417.18**
Equity share capital (refer note 14)	5,843.53	5,729.81
Other equity (refer note 15)	14,159.44	8,029.53
Total equity	**20,002.97**	**13,759.35**
Net Gearing ratio	**0.84%**	**24.84%**

*Excluding lease liabilities

Dividends	For the year ended 31st March 2022	For the year ended 31st March 2021
Equity share		
Interim dividend of ₹ 0.77 per each 58,43,52,710 equity share	449.95	–
Interim dividend of ₹ 9.634 per each 47,748,380 equity share	–	460.00
Interim dividend of ₹ 9.299 per each 47,748,380 equity share	**–**	**444.00**
	449.95	**904.00**

The Board of Directors of the Company in its meeting held on 5th May 2022 has approved and declared an final dividend of ₹ 0.77/- i.e (7.7%) per equity share of the Company having face value of ₹ 10/- each for the financial year 2021-22.

36 SEGMENT INFORMATION

The Group's operating business is organised and managed according to a single primary reportable business segment namely "Automotive Components".

Information about geographical areas

	For the year ended 31st March 2022	For the year ended 31st March 2021
India	8,030.55	5,275.49
Outside India	12,302.29	9,642.14
Total	**20,332.84**	**14,917.63**

'Revenue outside India	For the year ended 31st March 2022	For the year ended 31st March 2021
North America	5,841.26	4,756.10
Europe	3,157.64	3,708.34
Asia (Excluding India)	3,246.06	1,177.70
Others	57.33	–
	12,302.29	**9,642.14**

Customers exceeding 10% of total revenue	For the year ended 31st March 2022	For the year ended 31st March 2021
No. of customers exceeding 10% of total revenue	3	3
Total revenue of such customers (₹ million)	9,328.00	6,777.34

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

The Group's non-current assets (property, plant and equipment, right of use assets, capital work-in-progress, intangible assets, Intangible assets under development and goodwill) are located into the following geographical regions:

	As at 31st March 2022	As at 31st March 2021
India	14,082.47	11,685.15
Outside India	1,232.63	1,312.94
Total	**15,315.10**	**12,998.09**

Carrying amount of non-current assets by location	As at 31st March 2022	As at 31st March 2021
North America	824.05	868.48
Others	408.58	444.46
	1,232.63	**1,312.94**

37 RELATED PARTY DISCLOSURES

In accordance with the requirement of Indian Accounting Standard (Ind AS) 24 "Related Party Disclosures", name of the related parties, related party relationships, transactions and outstanding balances including commitments where control exist and with whom transactions have taken place during the reported period are as follows:

(a) Names of related parties and nature of relationship

(i) Entity exercising control of Company

Singapore VII Topco III Pte Ltd. (with effect from 5th July 2019 till 21st June 2021)

(ii) The entity having substantial interest in the Company

Sona Autocomp Holding Private Limited

Singapore VII Topco III Pte Ltd. (with effect from 21st June 2021)

(iii) Ultimate holding Company

BCP Topco I Pte Ltd. (till 21st June 2021)

(iv) Key Management Personnel

Name	**Designation**
Mr. Vivek Vikram Singh	Managing Director & Group CEO
Mr.Vikram Verma Vadapalli	Chief Executive Officer (Driveline Business)
Mr. Sat Mohan Gupta	Chief Executive Officer (Motor business)
Mr. Rohit Nanda	Group Chief Financial Officer
Mr. Ajay Pratap Singh	Vice President (Legal) & Company Secretary
Mr. Santhana Krishnan Gopalan	Chief Financial Officer of merged entity (Refer Note 49) (till 28th January 2022)
Mr. Hari Prasath K	Company Secretary of merged entity (Refer Note 49) (till 18th January 2021)
Non-Executive Directors	
Mr. Sunjay Kapur	Non-executive Chairman
Mr. Prasan Abhaykumar Firodia	Independent director
Mr Subbu Venkata Rama Behara	Independent director
Mrs Pallavi Joshi Bakhru	Independent director (till 2nd May 2020)
Mr. Amit Dixit	Director
Mr. Amit Jain	Director (with effect from 5th July 2019 till 1st January 2021)
Mr. Neeraj Mohan	Director (with effect from 5th July 2019 till 12th February 2021)
Mr. Ganesh Mani	Director
Mrs Shradha Suri	Independent director (with effect from 5th August 2020)
Mr. Jeffrey Mark Overly	Independent Director (with effect from 12th February 2021)
Relative fo KMP	
Mr. Tanay Gupta	Son of Mr. Sat Mohan Gupta

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

(v) Entities over which key management personnel are able to exercise significant influence and with whom transactions have taken place during the year

Sona Mandhira Private Limited (Previously known as Mandira Marketing Private Limited)

Harpreet Motors Private Limited

(b) Transactions with related parties :

(i) Entity exercising control

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Dividend paid		
Singapore VII Topco III pte Ltd.	–	599.18

(ii) Entity having substantial interest

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Dividend paid		
Sona Autocomp Holding Private Limited	153.51	304.84
Singapore VII Topco III pte Ltd.	148.77	–
Relinquishment of right of put option (refer note 48)		
Sona Autocomp Holding Private Limited	–	19.00
Reimbursement of IPO expenses		
Singapore VII Topco III pte Ltd.	359.69	–

(iii) Key Management Personnel *

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Managerial remuneration		
Mr. Vivek Vikram Singh	30.85	31.70
Mr. Vikram Verma Vadapalli	30.63	28.39
Mr. Rohit Nanda	24.09	26.13
Mr. Ajay Pratap Singh	7.13	6.74
Mr. Sat Mohan Gupta	18.17	24.41
Mr. Santhana Gopalan K	3.21	3.91
Mr. Tanay Gupta	1.75	1.59
Mr. Hariprasath K	–	1.31
Issue of equity shares under ESOP Scheme		
Mr. Vivek Vikram Singh	8.46	–
Mr. Vikram Verma Vadapalli	6.10	–
Mr. Rohit Nanda	4.57	–
Mr. Ajay Pratap Singh	1.52	–
Mr. Sat Mohan Gupta	6.10	–
Mr. Santhana Gopalan K	0.31	–
Director Sitting Fee		
Non-executive director	5.06	3.60
Commission		
Non-executive director	36.36	27.71
Dividend paid		
Mr. Vikram Verma Vadapalli	0.06	–
Mr. Ajay Pratap Singh	0.01	–
Mr. Sat Mohan Gupta	0.04	–
Mr. Santhana Gopalan K	0.01	
Mrs. Shradha Suri	#	–
Sale of Vehicles		
Mr. Vivek Vikram Singh	0.17	–

*Break-up of Key management personnel remuneration

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Short-term employee benefits	115.83	124.18

* Including provident fund, leave encashment and any other benefit.

* Share based payment to Key Managerial Personnel for the period ended 31st March 2022 is ₹ 43.24 million (31st March 2021 is ₹ 29.11 million) (refer note 45)

* Gratuity and leave encashment amounts accrued attributable to key management personnel cannot be separately determined and hence not included in transactions above.

* The shareholders, in the Annual General Meeting (AGM) held on 9th September 2021 had approved the Exit Return Incentive (ERI) Plan for payment of awards by Singapore VII Topco III PTE. Ltd. (Singapore VII) to certain identified employees of the Group. Accordingly, Singapore VII has made payment of awards to such identified employees between 14th September 2021, to 27th September 2021. There is however no financial impact of such payments on the Company.

\# Number less than ₹ 10,000

(iv) Entities over which key management personnel are able to exercise significant influence and with whom transactions have taken place during the year/previous year

Transactions	For the year ended 31st March 2022	For the year ended 31st March 2021
Sale of goods		
Sona Mandhira Private Limited (Previously known as Mandira Marketing Private Limited)	–	0.14
Services received		
Harpreet Motors Private Limited	0.01	–

(c) Details of balances with related parties at year end

(i) Key Management Personnel

Balances as at year end	As at 31st March 2022	At at 31st March 2021
Payables		
Mr.Vivek Vikram Singh	8.71	–
Mr. Rohit Nanda	4.82	–
Mr. Vikram Verma Vedapalli	9.60	–
Mr. Jeffrey Mark Overly	4.04	0.53
Mr. Ajay Pratap Singh	1.47	–
Mr. Kiran Manohar Deshmukh	2.76	–

Terms and conditions

All the transactions were made on normal commercial terms and conditions and at market rates except as disclosed in note 48. All outstanding balances are unsecured and settled in cash.

38 EARNINGS PER SHARE

	As at 31st March 2022	At at 31st March 2021
Total profit attributable to the equity holders of the Group used for basic and diluted earnings per share (A)	3,615.43	2,151.65
Total number of equity shares at the beginning of the year	572,980,560	47,153,944
Issue of shares	11,372,150	-
Conversion of compulsory convertible preference shares into equity shares	-	594,436
Bonus shares issued during the year	-	525,232,180
Total number of equity shares at the end of the year	**584,352,710**	**572,980,560**
Effect of exercise of share options (refer note 45)	343,775	192,634
Total number of equity shares (including options) at the end of the year	**584,696,485**	**573,173,194**
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	581,529,094	572,980,560
Weighted average number of equity shares used as the denominator in calculating basic earnings per share (B)	**581,529,094**	**572,980,560**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

	As at 31st March 2022	At at 31st March 2021
Effect of exercise of share options	343,775	192,634
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share (C)	**581,872,869**	**573,173,194**
Nominal Value per share (in ₹)	10.00	10.00
(a) Basic earnings per share (in ₹)	6.22	3.76
(b) Diluted earnings per share (in ₹)	6.21	3.75
Earning per share (both basic and diluted) has been restated for both the years presented on account of issue of bonus shares (refer note 14)		

39 EMPLOYEE BENEFITS

A Defined contribution plans:

Particulars	As at 31st March 2022	At at 31st March 2021
a) Provident fund	86.80	60.08
b) Employees state insurance corporation	0.32	0.40
c) Punjab/Haryana labour welfare fund	0.25	0.22
d) National Pension Scheme	8.20	7.47
	95.57	**68.17**

B Defined benefit plans:

(i) Gratuity

The Parent Company operates post retirement defined benefit plan for retirement gratuity, which is funded. The Holding Company through the gratuity trust has taken group gratuity policy of Life Insurance Corporation of India Gratuity Scheme.

Details of changes and obligation under the defined benefit plan is given as below:-

I Expense recognised in the statement of profit and loss

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Current service cost	20.67	19.54
(ii) Past service cost	–	3.46
(iii) Interest cost	6.48	6.62
(iv) Expected return on plan assets	(5.07)	(4.97)
Net expense recognised in the statement of profit and loss	**22.08**	**24.65**

II Remeasurement (gain)/loss recognised in other comprehensive income

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Actuarial changes arising from changes in demographic assumptions	(10.43)	0.38
(ii) Actuarial changes arising from changes in financial assumptions	17.04	(9.76)
(iii) Actuarial changes arising from changes in experience adjustments	9.84	4.68
(iv) Return on plan assets greater than discount rate	(0.89)	(0.16)
Net expense recognised in other comprehensive income	**15.56**	**(4.86)**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

III Changes in obligation

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Opening balance	219.72	194.85
(ii) Current service cost	20.52	19.54
(iii) Past service cost	–	3.46
(iv) Interest cost	15.19	11.31
(v) Benefit payments directly by employer	(3.38)	(2.80)
(vi) Actuarial (gain)/loss	15.57	(4.86)
(vii) Benefit payments from plan assets	(2.40)	(1.78)
(viii) Present value of obligation as at year end	**265.23**	**219.72**

IV Changes in plan assets

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Fair value of plan assets as at the beginning of the period	191.63	164.49
(ii) Interest income	11.92	10.53
(iii) Contributions by employer	26.99	21.03
(iv) Benefit payments from plan assets	(5.77)	(4.58)
(v) Actuarial gain/(loss) on plan assets	0.89	0.16
Fair value of plan assets	**225.65**	**191.63**

V Net assets / liabilities

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
(i) Present value of obligation at the end of the year	265.24	219.73
(ii) Fair value of plan assets at the end of the year	225.64	191.62
(iii) Net liabilities recognised in the balance sheet		
– Non-current	0.55	1.83
– Current	39.05	26.28

VI Experience adjustment

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Experience adjustment loss on plan liabilities	5.64	6.37

VII Investment details

The Parent Company has invested in gratuity funds which is administered through Life Insurance Corporation of India. The detail of investment maintained by Life Insurance Corporation are not made available to the Parent Company and have therefore not been disclosed.

VIII Principal actuarial assumptions

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Discount rate (per annum)	6.00-6.20%	6.00%-6.40%
Expected return on plan assets (per annum)	7.19%	5.90%
Expected increase in salary costs (per annum)	8.00-8.50%	7.00% - 8.00%
Attrition rate	15.00-17.00%	9.10% - 15.00%
Mortality	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate
Retirement age	58 years	58 years

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

ix **Quantitative sensitivity analysis for significant assumptions is as below:**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

Particulars	Impact on defined benefit obligation	
	As at 31st March 2022	As at 31st March 2021
Delta effect of +1% change in rate of discounting	(16.53)	(16.62)
Delta effect of -1% change in rate of discounting	17.70	17.97
Delta effect of +1% change in rate of salary increase	17.33	17.70
Delta effect of -1% change in rate of salary increase	(16.38)	(16.57)

X **Maturity profile of defined benefit obligation (undiscounted)**

	For the year ended 31st March 2022	For the year ended 31st March 2021
Within the next 12 months (next annual reporting period)	43.61	26.63
Between 2 and 5 years	135.30	94.62
Between 6 and 10 years	108.86	89.25
Total expected payments	**287.77**	**210.50**

XI The average duration of the defined benefit plan obligation at the end of the reporting period is 6.30 - 9 years (31st March 2021: 6.28 - 9 years)

XII The estimates of rate of escalation in salary considered in actuarial valuation are after taking into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the Actuary. The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

XIII Plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, employees are entitled to specific benefit at the time of retirement or termination of the employment on completion of five years or death while in employement. The level of benefit provided depends on the member's length of service and salary at the time of retirement/termination age

40 CONTINGENT LIABILITIES

			As at 31st March 2022	As at 31st March 2021
a)	Claims against the Company not acknowledged as debts			
	i)	Service tax		
		Cases pending before Appellate authorities in respect of which the Company has filed appeals/show cause notices. (FY 2005-06 to 2007-08)	0.47	0.47
	ii)	Income Tax*		
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2011-12)	4.21	4.21
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2012-13)	3.18	3.18
		Cases pending before Appellate Authorities in respect of which the Company has filed appeal (AY-2013-14)	2.12	2.12
		Cases pending before ITAT in respect of which the Company has filed appeal (AY-2016-17)	2.00	2.00
		Cases pending before CIT in respect of which the Company has filed appeal (AY-2017-18)**	77.25	70.78
		Cases pending before CIT in respect of which the Company has filed appeal (AY-2018-19)	2.28	-
		Demand raised by AO for which company intend to file appeal with CIT - Appeal for AY 2018-19	3.73	3.73

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

		As at 31st March 2022	As at 31st March 2021
(iii)	Central Excise Act, 1944		
	Case pending before Directorate General of Goods And Service Tax Intelligence in respect of which the Company has filed appeals. (FY 2014-15 to FY 2017-18)	14.85	14.85
	* Amount paid under protest of ₹ 24.48 million (31st March 2021: ₹ 24.48 million)		
	** Total disputed amount of the case is ₹ 85.88 million(including interest liability) out of which ₹ 8.63 million (including interest liability) has been provided as a provision and balance amount of ₹ 77.25 million (including interest liability) is being disclosed as a contingent liability.		
	As trial date has not yet been set and therefore it is not practicable to state the timing of the payment, if any.		

b) There are labour cases pending before High Court and Labour Commissioner/Officer. The Company has been legally advised that the cases filed by the employees are not sustainable in law and accordingly no provision has been made therefor. Moreover no monetary claim was filed or is pending.

c) Duty paid and related export obligation status with respect to EPCG licenses which is six times of the duty saved, obtained by the Group are as under :

Particulars	As at 31st March 2022	As at 31st March 2021
Export obligation pending (₹ million)	4,429.60	2,903.78

41 CAPITAL COMMITMENTS

	As at 31st March 2022	As at 31st March 2021
Estimated amount of contracts to be executed on capital account not provided for (net of advances)	758.69	1,543.48
	758.69	**1,543.48**

42 ADDITIONAL INFORMATION AS REQUIRED BY PARAGRAPH 2 OF THE GENERAL INSTRUCTION FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AS PER SCHEDULE III OF COMPANIES ACT, 2013:

31st March 2022

Name of entity	Net assets i.e. total assets minus total liabilities		Share in profit and (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount (₹ million)	As a % of consolidated net profit	Amount (₹ million)	As a % of consolidated other comprehensive income	Amount (₹ million)	As a % of consolidated total comprehensive income	Amount (₹ million)
Holding Company								
Sona BLW Precision Forgings Limited	98.64%	19,731.55	97.79%	3,535.38	(40.15%)	(11.52)	96.70%	3,523.86
Subsidiaries-India								
Comstar Automotive Technologies Services Private Limited	0.27%	54.32	0.49%	17.64	(0.44%)	(0.13)	0.48%	17.51
Sona Comstar eDrive Private Limited	0.07%	14.19	(0.02%)	(0.81)	0.00%	-	(0.02%)	(0.81)
Subsidiaries-Foreign								
Comstar Automotive USA LLC	3.87%	773.44	6.50%	234.95	98.67%	28.32	7.22%	263.27
Comstar Automotive Hongkong Limited	0.17%	34.17	(0.10%)	(3.76)	39.87%	11.44	0.21%	7.68
Comestel Automotive Technologies Mexicana Ltd.	0.98%	195.68	4.71%	170.30	27.35%	7.85	4.89%	178.15
Comstar Automotive (Hangzhou) Co., Ltd.	0.79%	158.83	1.14%	41.37	22.38%	6.42	1.31%	47.80
Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V	(0.06%)	(11.36)	(0.22%)	(8.13)	(1.75%)	(0.50)	(0.24%)	(8.64)
Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V	0.60%	119.96	0.03%	0.91	26.29%	7.54	0.23%	8.45
Comstar Hong Kong Mexico No. 1, LLC	0.00%	–	0.00%	–	0.00%	–	0.00%	–
Consolidation adjustments	(5.34%)	(1,067.83)	(10.30%)	(372.41)	(72.22%)	(20.73)	(10.79%)	(393.14)
Total	**100%**	**20,002.97**	**100%**	**3,615.43**	**100%**	**28.70**	**100%**	**3,644.13**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

31st March 2021

Name of entity	Net assets i.e. total assets minus total liabilities		Share in profit and (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount (₹ million)	As a % of consolidated net profit	Amount (₹ million)	As a % of consolidated other comprehensive income	Amount (₹ million)	As a % of consolidated total comprehensive income	Amount (₹ million)
Holding Company								
Sona BLW Precision Forgings Limited	98.91%	13,609.53	100.41%	2,160.39	124.51%	(15.49)	100.27%	2,144.90
Subsidiaries-India								
Comstar Automotive Technologies Services Private Limited	0.27%	36.82	0.59%	12.78	(0.88%)	0.11	0.60%	12.88
Sona Comstar eDrive Private Limited	0.00%	0.10	0.00%	-	0.00%	-	0.00%	-
Subsidiaries-Foreign								
Comstar Automotive USA LLC	8.49%	1,168.85	12.86%	276.76	250.58%	(31.17)	11.48%	245.59
Comstar Automotive Hongkong Limited	(0.49%)	(68.00)	0.46%	10.00	86.88%	(10.81)	(0.04%)	(0.81)
Comestel Automotive Technologies Mexicana Ltd.	0.44%	61.00	(0.23%)	(5.00)	64.35%	(8.01)	(0.61%)	(13.01)
Comstar Automotive (Hangzhou) Co., Ltd.	(0.67%)	(92.00)	1.30%	28.00	16.73%	(2.08)	1.21%	25.92
Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V	0.01%	2.00	0.09%	2.00	(3.86%)	0.48	0.12%	2.48
Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V	(0.60%)	(83.00)	(0.79%)	(17.00)	(1.16%)	0.14	(0.79%)	(16.86)
Comstar Hong Kong Mexico No. 1, LLC	0.00%	–	0.00%	–	0.00%	–	0.00%	–
Consolidation adjustments	(6.37%)	(875.96)	(14.70%)	(316.28)	(437.16%)	54.38	(12.24%)	(261.89)
Total	**100%**	**13,759.34**	**100%**	**2,151.65**	**100%**	**(12.44)**	**100%**	**2,139.21**

43 LEASES

i) The Group has entered into lease arrangements for land, building and plant and machinery that are renewable on a periodic basis with approval of both lessor and lessee.

ii) The Group does not have any lease commitments towards variable rent as per the contract.

iii) Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over land and building the Group must keep those properties in a good state of repair and return the properties in their original condition, except for normal wear and tear, at the end of the lease. Further, the Group shall insure items owned by it and incur maintenance fees on such items in accordance with the lease contracts.

iv) Lease liabilities are presented in the statement of financial position as follows:

Particulars	As at 31st March 2022	As at 31st March 2021
Current	111.76	105.27
Non-current	696.02	720.15
	807.78	**825.42**

v) Future minimum lease payments are as follows:

Particulars	As at 31st March 2022		
Minimum lease payments due	**Lease payments**	**Finance charges**	**Net present values**
Within 1 year	111.76	67.88	43.88
1-5 years	473.28	206.24	267.04
More than 5 years	797.57	300.69	496.88
	1,382.61	**574.81**	**807.78**

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

Particulars	As at 31st March 2021		
Minimum lease payments due	**Lease payments**	**Finance charges**	**Net present values**
Within 1 year	105.27	75.96	29.08
1-5 years	458.11	232.91	224.91
More than 5 years	911.13	339.69	571.43
	1,474.51	**648.56**	**825.42**

vi) The following are amounts recognised in profit or loss:-

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Depreciation expense of right-of-use assets	86.26	71.77
Interest expense on lease liabilities	76.99	73.37
Rent expense (relating to short-term leases on which lease liability is not recognised)	31.43	21.15
Total	**194.68**	**166.29**

vii) Total cash outflow pertaining to leases

Particulars	For the year ended 31st March 2022	For the year ended 31st March 2021
Total cash outflow pertaining to leases during the year ended	101.37	91.34

The Group determines the leases term as either the non-cancellable period of the lease and any additional periods when there is an enforceable option to extend the lease and it is reasonably certain that the Group will extend the term, or a lease period in which it is reasonably certain that the Group will not exercise a right to terminate. The lease term is reassessed if there is a significant change in circumstances.

44 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue

The Group has performed a disaggregated analysis of revenues considering the nature, amount, timing and uncertainty of revenues. This includes disclosure of revenues by geography and timing of recognition.

Revenue from operations	For the year ended 31st March 2022	For the year ended 31st March 2021
Revenue by geography		
Domestic	8,030.55	5,275.49
Export	12,302.29	9,642.14
Total	**20,332.84**	**14,917.63**
Timing of revenue recognition		
Revenue recognised at point in time	20,291.34	14,917.63
Revenue recognised over the period of time	41.50	–
Total	**20,332.84**	**14,917.63**

(b) Liabilities related to contracts with customers

Particulars	As at 31st March 2022	As at 31st March 2021
Opening balance	91.66	53.05
Income recognised from advance	(126.92)	(23.52)
Advance received from customers during the year	191.62	62.13
Advance from customers and contract liability (refer note 21)	**156.36**	**91.66**

(c) Reconciliation of revenue recognised in Statement of Profit and Loss with Contract price

There are insignificant discounts offered by the Group to its customers for the year ended 31st March 2022 ₹ 0.43 million (31st March 2021: ₹ 1.26 million)

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

45 SHARE BASED PAYMENTS

Employee Stock Option Scheme Sona BLW Precision Forging Limited- 2020 ('Sona BLW ESOP Plan-2020') was approved by the shareholders of the Sona BLW Precision Forging Limited on 30th September 2020. The maximum number of Options to be granted under the Sona BLW ESOP Plan-2020 shall be 3,342,672 Options which shall upon exercise shall convert into maximum 3,342,672 Shares. The Sona BLW ESOP Plan entitles employees of the Group to purchase shares in the Group at the stipulated exercise price, subject to compliance with vesting conditions. A description of the share based payment arrangement of the Group is given below:

Particulars	Sona BLW Precision Forging Limited Employee Stock Option Plan
Exercise Price	₹ 38.34
Grant date	1st October 2020
Vesting schedule	1,087,740 options 12 months after the grant date ('First vesting')
	1,087,740 options 24 months after the grant date ('Second vesting')
	1,087,740 options 36 months after the grant date ('Third vesting')
Exercise period	Stock options can be exercised within a period of 3 years from vesting date.
Number of share options granted	3,263,220
	The total pool of Options that can be granted under the ESOP Plan is 3,342,672 (Thirty three lakhs forty two thousand six hundred seventy two) Options out of which 3,263,220 (Thirty two lakhs sixty three thousand two hundred twenty) options were granted to the employees.
Method of settlement	Equity

Stock options will be settled by issue of equity shares of the Company. As per the plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 38.34 per option which against the fair market value of ₹ 79.17 per share determined on the date of grant, i.e. 1st October 2020.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair values of options granted were determined using Black-Scholes option pricing model that takes into account factors specific to the share incentive plans along with other external inputs. Expected volatility has been determined by reference to the average volatility for comparable companies for corresponding option term. Total Company share based payment to employees amounting ₹ 66.61 million for the year ended 31st March 2022 (₹ 45.37 million for the year ended 31st March 2021) is recognised in the statement of profit and loss of the Company pertaining to options issued to employees of the Company. The following principal assumptions were used in the valuation: Expected volatility was determined by comparison with peer companies, as the Company's shares were not public traded at that time. The expected option life and average expected period to exercise, is assumed to be equal to the contractual maturity of the option. Dividend yield is taken as 1.6% based on the the expected dividend payout by the management. The risk-free rate is the rate associated with a risk-free security with the same maturity as the option. At each balance sheet date, the Company reviewed its estimates of the number of options that are expected to vest. The Company recognises the impact of the revision to original estimates, if any, in the profit or loss in consolidated statement of comprehensive income, with a corresponding adjustment to 'retained earnings' in equity. The fair value of option using Black Scholes model and the inputs used for the valuation for options that have been granted during the reporting period are summarised as follows:

Particulars	First vesting	Second vesting	Third vesting
Grant date	1st October 2020	1st October 2020	1st October 2020
Vesting date	1st October 2021	1st October 2022	1st October 2023
Expiry date	1st October 2024	1st October 2025	1st October 2026
Fair value of option at grant date using Black Scholes model	44.38	46.28	47.72
Exercise price	38.34	38.34	38.34
Expected volatility of returns	46.19%	46.63%	46.51%
Term to expiry	2.5 years	3.5 years	4.5 years
Expected dividend yield	1.60%	1.60%	1.60%
Risk free interest rate	4.64%	5.04%	5.23%

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

During the year ended 31st March 2021, the Board of Directors of the Company has approved the issuance of 11 (Eleven) bonus shares of face value ₹ 10 (Rupees Ten) each for every 1 (One) existing fully paid up equity share of face value ₹ 10 (Rupees Ten) each. Accordingly number of options has been increased to twelve times of original options and fair value and exercise price of options has been reduced to one twelfth from previous values.

The total outstanding and exercisable share options and weighted average exercise prices for the various categories of option holders during the reporting periods are as follows:

Particulars	Details
Options outstanding at the beginning of the period	3,263,220
Number of employees to whom options were granted	62
Options vested	1,081,764
Options exercised	1,062,872
Options forfeited/ lapsed/ cancelled	17,928
Option expired during the year	Nil
Options outstanding	Vested:18,892
Options outstanding	Unvested: 21,63,528
Total number of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options) (only for vested options)	1,062,872
Variation in terms of options	Per ESOP scheme
Money realised by exercise of options (in ₹ million)	40,750,512
Options outstanding at the period end	2,182,420
Options exercisable at the period end	18,892
Total number of options in force (excluding options not granted)	2,182,420
Weighted average remaining contractual life of outstanding options (in years)	4.00
Method used for accounting of share-based payment plans	The employee compensation cost has been calculated using the fair value method of accounting for Options issued under the Sona BLW ESOP Plan. The employee compensation cost as per fair value method for the year ended 31st March 2022 is ₹ 66.60 million (for the year ended 31st March 2021 was ₹ 45.37 million)
Nature and extent of employee share based payment plans that existed during the period including the general terms and conditions of each plan	Each Option entitles the holder thereof to apply for and be allotted one Ordinary Shares of the Company upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from grant date
Employee wise details of options granted to	
(i) Key Managerial Personnel	Mr. Vivek Vikram Singh Mr. Rohit Nanda Mr. Ajay Pratap Singh Mr. Vikram Verma Vadapalli Mr. Sat Mohan Gupta Mr. Santhana Gopalan K. Share based payment to Key Managerial Personnel for the year ended 31st March 2022 is ₹ 43.24 million (31st March 2021 was ₹ 29.11 million)
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	None
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	No options were granted to any identified employees during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

46 GOODWILL AND BRAND IMPAIRMENT TESTING

Goodwill

As on 5th July 2019, the Group acquired two entities, Comstar Automotive Technologies Private Limited ("Comstar India") and Comstar Automotive Hong Kong Limited ("Comstar Hong Kong"), pursuant to which the group had recognised goodwill amounting to ₹ 1,758.09 million and annual test for impairment of goodwill was carried out as at 31st March 2022 and 31st March 2021, details of which are outlined below. The outcome of the test indicated that the value in use of business was higher than its carrying value in those CGU's (Cash generating unit). Accordingly, no impairment charge has been recognised in the consolidated statement of profit and loss.

The recoverable amount of each CGU was determined based on value-in-use calculations using a discount rate ranging between 12%-14% reflecting current market assessments of the time value of money and risks specific to the business, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows using a terminal growth rate of approximately 3%- 4% as determined by the management.

Brand

On 1st August 2018, the Company acquired SONA Intellectual property rights ("Sona IP") and all intellectual property rights thereto from SONA Management Services Limited ("SMSL") having indefinite useful lives. This was due to the expectation of permanent use of acquired brand. The Company tests on an annual basis whether the brand is impaired based on the value-in-use concept of the entity basis certain inputs outlined below. In March 2022 and March 2021, there was no impairment identified for the brand. The recoverable amount of the entity was determined on the basis of value in use based on the present value of the expected future cash flows. This calculation uses cash flow projections based on the financial planning covering a five-year period in total. The management believes that any reasonable possible changes in the key assumptions would not cause the Brand's carrying amount to exceed its recoverable amount.

The recoverable amount of the brand was determined based on value-in-use calculations for the company using a discount rate ranging between 11%-15% reflecting current market assessments of the time value of money and risks specific to the business as at the respective dates, covering a detailed five-year forecast , followed by an extrapolation of expected cash flows using a terminal growth rate ranging between 3%-4% as determined by the management.

Intangible Asset

As per Note 5 to the consolidated financial statements, the group had capitalised technology development expenditure of ₹ 402.13 million towards the development of hybrid starter motor (BSG technology) as at 1st Feb 2020. The development expenditure incurred towards Hybrid starter motor was put to impairment test as at 31st March 2022. The outcome of the test indicated that the value in use of the asset was higher than its carrying value of ₹ 308.74 million as at 31st March 2022. Accordingly, no impairment charge has been recognised in the consolidated statement of profit and loss. The recoverable amount of was determined based on value-in-use calculations using a discount rate of 11.5% reflecting current market assessments of the time value of money and risks specific to the technology, covering a detailed five-year forecast.

Growth rates

The growth rates used are in line with the growth rate of the industry and the countries in which the entities operates and are consistent with the internal/external sources of information.

Discount rates

The discount rates take into the consideration market risk and specific risk factors of the entity. The cash flow projections are based on the forecasts made by the management.

Terminal growth rate

The terminal growth rate is the constant rate at which an entity is expected to grow at the end of the last forecasted cash flow period in a discounted cash flow model and goes into perpetuity.

Sensitivity

The management believes that any reasonable possible changes in the key assumptions would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

47 The Group has considered the possible effects that may arise out of the still unfolding COVID-19 pandemic on the carrying amounts of property, plant & equipment, intangible assets, investments, inventories, trade receivables, etc. For this purpose, the Group has considered internal and external sources of information up to the date of approval of the Consolidated Financial Results. Based on the current estimates, the Group does not expect any significant impact on such carrying values. The Group will continue to closely monitor any material changes to future economic conditions.

48 RELINQUISHMENT OF RIGHT

In the board meeting on 12 February 2021 the board has approved waiver of the right to sell 19% shares in Sona Holding BV (put option) to Sona Autocomp at a pre-agreed consideration of ₹19 million and a waiver of the right to buy 81% shares in Sona Holding BV (call option) from Sona Autocomp at a pre-agreed formula based price defined in ESA. The decision was made taking cognisance of the situation that Sona Holding B.V, The Netherlands now has no business operations left in any of its subsidiaries. Put option waiver was approved as a transaction not at arm's length whereas waiver of call option was approved as a transaction at arm's length. Accordingly, the carrying value for 19% investment in Sona B.V. of ₹19 million as on 31st March 2020, has been taken as ₹ Nil as at 31st March 2021 and the resultant fair value loss has been booked under other comprehensive income.

49 MERGER WITH COMSTAR AUTOMOTIVE TECHNOLOGIES PRIVATE LIMITED

The Hon'ble National Company Law Tribunal, Chandigarh Bench, vide order dated 7th January, 2022 ("Order"), has approved the Scheme of Amalgamation of Comstar Automotive Technologies Private Limited ('Wholly Owned Subsidiary") with Sona BLW Precision Forgings Limited ("Company") with effect from 5th July, 2019 ("Appointed Date") and the Order was filed by the Company with the Registrar of Companies, NCT of Delhi and Haryana on 28th January, 2022. Accordingly, the Company has accounted for the merger as mentioned in the Scheme retrospectively and restated numbers for period presented as prescribed in Appendix C of IND AS 103 - Business Combinations. Goodwill (including assembled workforce) and customer relationships, earlier recorded in the consolidated financial statements amounting to ₹ 1,582.24 million and ₹ 2,929 million are now recorded in standalone financial statements. Change in the tax base of customer relationship after the merger has resulted in creation of merger reserve amounting to ₹ 737.23 million.

50 EXCEPTIONAL ITEM

As per the terms of contract with the Selling shareholders, all Initial Public Offering ('IPO') related expenses were to be borne by the Company and the Selling shareholders in proportion to the number of Equity Shares issued and/or transferred by each one of them in the IPO respectively. However, in the event that the Issue was withdrawn by the Company or not completed for any reason whatsoever, all the Issue related expenses would have to be solely borne by the Company.

During the year ended 31st March 2021, the Company had incurred expenses amounting to ₹ 143.23 million related to the proposed IPO of the company. Considering the fact that the recovery of expenses incurred was not virtually certain as on 31st March 2021, the management decided to charged off ₹ 139.06 million to the Statement of Profit and Loss as an Exceptional Expense and the remaining amount of ₹ 4.17 million was recorded under the head 'Other Current Assets'.

In year ended 31st March 2022, since the IPO has now been completed, the pro-rata IPO expenses recovered from the selling shareholder have been recorded as an exceptional income in the Statement of Profit and Loss. Pro-rata IPO expenses related to fresh issue of shares have been charged off to the equity in compliance with the applicable accounting standards.

51 OTHER STATUTORY INFORMATION

(i) Group do not have any Benami property, where any proceeding has been initiated or pending against the Group for holding any Benami property.

(ii) The Group do not have any transactions with companies struck off.

(iii) The Group do not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period,

(iv) The Group have not traded or invested in Crypto currency or Virtual Currency during the financial year.

(v) The Group have not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries\

(vi) The Group have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

(b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries,

(vii) The Group have not any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961

52 The Parent Company completed its maiden Initial Public Offer of 190,721,649 Equity Shares of the face value of ₹ 10/- each at an issue price of ₹ 291/- per Equity Share, comprising offer for sale of 180,412,371 shares by selling shareholders and fresh issue of 10,309,278 shares. The Equity Shares of the Company were listed on 24th June 2021 on Bombay Stock Exchange and National Stock Exchange of India Limited.

53 THE UTILISATION OF THE NET INITIAL PUBLIC OFFERING PROCEEDS IS SUMMARISED BELOW:

Particulars	Objects of the issue as per prospectus	Utilisation upto 31st March 2022	Unutilised amount as on 31st March 2022
Repayment and Prepayment of identified borrowings	2,411.17	2,411.17	–
General Corporate Purposes	523.13	523.13	–

Of the unutilised net Fresh IPO Proceeds, there is no balance lying in Monitoring Agency Account and Public Offer Account.

54 RECONCILIATION OF QUARTERLY BANK RETURN

Quarter	Particulars	FY 2021 - 22		FY 2020 - 21	
		Amount as per books of account	Amount as reported in the quarterly return/ statement #	Amount as per books of account	Amount as reported in the quarterly return/ statement #
Quarter 1	Trade Receivable	2,224.24	2,205.86	1,038.74	1,042.93
Quarter 1	Inventory	1,097.81	1,097.82	570.93	580.20
Quarter 1	Trade Payables*	643.80	628.29	280.67	279.17
Quarter 2	Trade Receivable	2,646.84	2,535.07	1,904.01	1,805.67
Quarter 2	Inventory	1,115.32	1,172.13	672.16	664.76
Quarter 2	Trade Payables*	801.28	802.83	596.87	596.19
Quarter 3	Trade Receivable	2,391.82	2,273.52	2,402.70	2,299.90
Quarter 3	Inventory	1,391.00	1,390.99	832.40	849.84
Quarter 3	Trade Payables*	775.96	775.88	841.87	840.41
Quarter 4	Trade Receivable	4374.88 **	4238.12 **	2,478.63	2,459.14
Quarter 4	Inventory	3006.75 **	2983.2 **	997.69	997.69
Quarter 4	Trade Payables*	1579.80 **	1616.31 **	669.24	667.94

Notes:

i) HDFC Bank and SBI are represented as Working capital lenders

The difference in the trade receivables between the books of account and the amount reported to banks is on account of adjustment of bill discounting for a specific debtor. Rest of the differences are not significant.

* Above information is given as per the norms of working capital lenders

** Q4 FY22 Quarter figure are post merger (refer note 49)

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

55 Previous year's figures has been regrouped and/ or reclassed wherever necessary to confirm to the current year's groupings and classifications.

56 AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial Statements for the year ended 31st March 2022 were approved by the Board of Directors on 5th May 2022.

The accompanying summary of accounting policies and significant explanatory notes form an integral part of these Consolidated financial statements.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

Arun Tandon
Partner
Membership No.: 517273

Place: New Delhi
Date: 5th May, 2022

For and on behalf of the Board of Directors of
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253

Place: Gurugram
Date: 5th May, 2022

Notes

Summary of significant accounting policies and other explanatory information to the consolidated financial statements for the year ended 31 March 2022

(Figures in Million ₹, unless stated otherwise)

FORM No. AOC-1

1	Name of the subsidiary	Comstar Automotive Technology Services Private Limited	Comstar Automotive USA LLC	Comstar Automotive Hong Kong Ltd	Comestel Automotive Technologies Mexicana Ltd	Comstar Automotive (Hangzhou) Co., Ltd	Comstar Hong Kong Mexico No. 1, LLC	Comenergia Automotive Technologies Mexicana, S. DE R.L. DE C.V	Comestel Automotive Technologies Mexicana, S. DE R.L. DE C.V.	Sona Comstar eDrive Private Limited
2	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022	31st Mar,2022
3	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR	USD - 75.7925	USD - 75.7925	USD - 75.7925	RMB - 11.9375	USD - 75.7925	MXN - 3.792	MXN - 3.792	INR
4	Share capital	1.30	13.68	121.00	0.01	156.83	-	0.07	114.79	15.00
5	Reserves & surplus	52.99	759.77	(88.28)	195.67	2.00	-	(11.43)	5.17	(0.81)
6	Total assets	51.34	937.13	134.73	771.94	527.47	-	132.07	155.96	14.24
7	Total liabilities	4.02	163.68	258.92	691.05	368.64	-	143.43	35.99	0.04
8	Investments	6.98	0.00	156.91	114.79	-	-	-	-	-
9	Turnover (incl. forex gain/loss)	38.42	1,404.59	-	1,078.06	496.41	-	373.53	-	-
10	Profit/ (Loss) before taxation	23.59	317.26	(3.76)	170.30	41.37	-	(7.88)	7.14	(0.73)
11	Provision for taxation	5.99	82.06	-	-	-	-	0.25	6.23	-
12	Profit/ (Loss) after taxation	17.60	235.20	(3.76)	170.30	41.37	-	(8.13)	0.91	(0.73)
13	Proposed Dividend									
14	% of shareholding	100%	100%	100%	100%	100%	100%	100%	99%	99%

Note;- During the financial year under review, Comstar Automotive Technologies Private Limited (erstwhile wholly owned subsidiary of the Company) merged with the Company w.e.f 28th January, 2022.

For and on behalf of the Board of Directors
Sona BLW Precision Forgings Limited

Sunjay Kapur
Non-Executive Chairman
DIN: 00145529

Vivek Vikram Singh
Managing Director and
Group Chief Executive Officer
DIN: 07698495

Rohit Nanda
Group Chief Financial Officer

Ajay Pratap Singh
Company Secretary
Membership No. FCS 5253