

Independent Auditors' Report

To the Members of Reliance Defence Systems Private Limited

Report on the Financial Statements

Opinion

1. We have audited the financial statements of **Reliance Defence Systems Private Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019 and Statement of Profit and Loss, Statement of changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 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.

Other Information

4. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in Director's report and shareholders information, but does not include the financial statements and our auditor's report thereon.
5. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

8. 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the 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 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.

Pathak H.D. & Associates

Chartered Accountants

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
10. 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.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

12. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
13. As required by Section 143(3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, the Statement of Profit and Loss, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 respect to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B";
 - g) With respect to the other matters to be included in the Auditors Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the Company has not paid any remuneration to any of its directors during the year. Hence, the requirement of the Company for compliance under this section is not applicable.

Pathak H.D. & Associates

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- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. There were no pending litigations which would impact the financial position of the Company.
 - ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

For Pathak H. D. & Associates
Chartered Accountants
Firm Registration No.107783W

Vishal D. Shah
Partner
Membership No.119303

Place: Mumbai
Date: May 28, 2019

Annexure A to Auditors' Report

Referred to in our Auditors' Report of even date to the members of Reliance Defence Systems Private Limited on the financial statements for the year ended March 31, 2019

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) As informed to us, the fixed assets have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) The Company does not have any immovable properties, hence the reporting requirements under clause (i)(c) of paragraph 3 of the Order is not applicable.
- (ii) As explained to us, there is no physical inventory in existence and hence, paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) The Company has not granted any loan, secured or unsecured, to any company, firm, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of Act. Accordingly, provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under.
- (vi) In our opinion and according to the information given to us, no cost records have been prescribed by the Central Government of India under sub-section (1) of Section 148 of the Act.
- (vii) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, goods and service tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales tax, goods and service tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues as applicable were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, service-tax, customs duty, excise duty and value added tax as at March 31, 2019 which have not been deposited on account of a dispute.
- (viii) The Company has defaulted in repayment of dues to the financial institution other than banks and debenture holders, which were paid before the balance sheet date:

(Rs. in thousands)

Name of Lender	Amount of borrowing (including interest)	Period (maximum days)
SREI Equipment Finance Limited	3,30,414.67	275

Pathak H.D. & Associates

Chartered Accountants

- (ix) During the year the Company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans hence the reporting requirements under paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) The Company has not paid managerial remuneration during the year and hence, the reporting requirement under paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For Pathak H. D. & Associates
Chartered Accountants
Firm Registration No.107783W

Vishal D. Shah
Partner
Membership No.119303

Place: Mumbai
Date: May 28, 2019

Annexure - B to Auditor's report

[Annexure to the Independent Auditor's Report referred to in paragraph "13(f)" under the heading "Report on other legal and regulatory requirements" of our report of even date on the financial statements of Reliance Defence Systems Private Limited for year ended March 31, 2019.]

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

We have audited the internal financial controls with respect to financial statements of **Reliance Defence Systems Private Limited** ("the Company") as of March 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with respect to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with respect to financial statements was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with respect to financial statements and their operating effectiveness.

Our audit of internal financial controls with respect to financial statements included obtaining an understanding of internal financial controls with respect to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls with respect to Financial Statements

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

Inherent Limitations of Internal Financial Controls with respect to Financial Statements

Because of the inherent limitations of internal financial controls with respect 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 respect to financial statements to future periods are subject to the risk that the internal financial control with respect 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

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with respect to financial statements and such internal financial controls with respect to financial statements were operating effectively as at March 31, 2019, based on the internal control with respect to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For Pathak H. D. & Associates
Chartered Accountants
Firm Registration No.107783W

Vishal D. Shah
Partner
Membership No.119303

Place: Mumbai
Date: May 28, 2019

Reliance Defence Systems Private Limited

Accounts for the year ended on March 31, 2019

Particulars	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2	30.77	98.71
Financial Assets			
- Investments	3	-	142,82,627.86
- Loans	4	338.44	1,100.00
Other Non - Current Assets	7	1,030.56	532.85
Total Non-Current Assets		1,399.77	142,84,359.42
Current Assets			
Financial Assets			
- Cash and Cash Equivalents	5	93.07	1,886.61
- Loans	4	-	1,19,500.00
- Other Financial Assets	6	25.26	1,91,821.88
Current Tax Assets (Net)		2,244.77	5,078.36
Total Current Assets		2,363.10	3,18,286.85
Total Assets		3,762.87	146,02,646.27
EQUITY AND LIABILITIES			
EQUITY			
Equity Share Capital	8	100.00	100.00
Other Equity	9	(1,851.14)	142,95,208.47
Total Equity		(1,751.14)	142,95,308.47
LIABILITIES			
Non-Current Liabilities			
Provisions	12	394.24	319.68
Total Non-Current Liabilities		394.24	319.68
Current liabilities			
Financial Liabilities			
- Trade Payables			
Total outstanding dues of micro enterprises and small enterprises	27	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		4,383.45	3,598.43
- Other Financial Liabilities	10	-	2,99,718.98
Provisions	12	27.40	675.35
Other Current Liabilities	11	708.92	3,025.36
Total Current Liabilities		6,119.77	3,07,018.12
Total Liabilities		6,514.01	3,07,337.80
Total Equity and Liabilities		3,762.87	146,02,646.27

The accompanying notes form an integral part of Financial Statements

1 to 31

As per our attached Report of even date

For Pathak H D & Associates

Chartered Accountants
Firm Registration No. 107783W

Vishal D. Shah
Partner
Membership No. 119303

For and on behalf of the Board
of Directors

Lalit Ualan Parth Sharma
Director Director
DIN : 00270338 DIN : 08245533

Place : Mumbai
Date : May 28, 2019

Place : Mumbai
Date : May 28, 2019

Reliance Defence Systems Private Limited
Statement of Profit and Loss for the year ended March 31, 2019

Rs. in Thousands

Particulars	Note	Year ended March 31, 2019	Year ended March 31, 2018
Other Income	13	686.29	29,370.65
Total Income		686.29	29,370.65
Expenses			
Employee Benefits Expense	15	16,868.20	29,086.22
Finance Costs	14	36,158.19	54,143.08
Depreciation and Amortisation Expense	2	82.69	160.03
Other Expenses	16	3,968.66	20,592.31
Total Expenses		57,077.73	1,03,981.62
Loss before exceptional items and tax		(56,391.44)	(74,610.97)
Exceptional items :			
- Expenses	30	3,11,295.21	2,26,060.00
- Provision for diminution in the value of non-current investments		147,05,085.50	-
Loss before tax		(150,72,772.14)	(3,00,670.97)
Tax Expense:			
- Current Tax		-	-
- Deferred Tax		-	-
- Income Tax for earlier years		4,431.15	-
		4,431.15	-
Loss after tax		(150,77,203.29)	(3,00,670.97)
Other Comprehensive Income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit plans : Gains / (Loss)		153.68	100.13
Other Comprehensive Income/(Loss)		153.68	100.13
Total Comprehensive Income/(Loss)		(150,77,049.61)	(3,00,570.84)
Earnings per equity share (Face Value of Rs 10 each)	26		
Basic Earnings per share		(15,07,720.33)	(30,067.10)
Diluted Earnings per share		(15,07,720.33)	(30,067.10)

The accompanying notes form an integral part of Financial Statements

1 to 31

As per our attached Report of even date

For Pathak H D & Associates
Chartered Accountants
Firm Registration No. 107783W

For and on behalf of the Board
of Directors

Vishal D. Shah
Partner
Membership No. 119303

Lalit Jalan
Director
DIN : 00270338

Parth Sharma
Director
DIN : 08245533

Place : Mumbai
Date : May 28, 2019

Place : Mumbai
Date : May 28, 2019

Reliance Defence Systems Private Limited
Statement of Changes in Equity for the year ended March 31, 2019

Rs. in Thousands

A - EQUITY SHARE CAPITAL

Particulars	Balance at the beginning of the year	Changes in equity share capital during the year	Balance at the end of the year
As at March 31, 2018	100.00	-	100.00
As at March 31, 2019	100.00	-	100.00

Rs. in Thousands

B - OTHER EQUITY

Particulars	Equity Component of Financial Instruments (Subordinate Debts)	Retained Earnings	Total
As at April 01, 2017	150,94,885.70	(7,12,056.39)	143,82,829.31
Loss for the year	-	(3,00,670.97)	(3,00,670.97)
Other comprehensive income for the year	-	100.13	100.13
Total Comprehensive Income/(Loss) for the year	-	(3,00,570.84)	(3,00,570.84)
Issue of Subordinate Debt	2,12,950.00	-	2,12,950.00
Balance as at March 31, 2018	153,07,835.70	(10,12,627.23)	142,95,208.47
As at April 01, 2018	153,07,835.70	(10,12,627.23)	142,95,208.47
Loss for the year	-	(150,77,203.29)	(150,77,203.29)
Other comprehensive income for the year	-	153.68	153.68
Total Comprehensive Income/(Loss) for the year	-	(150,77,049.61)	(150,77,049.61)
Issue of Subordinate Debt	7,79,990.00	-	7,79,990.00
Balance as at March 31, 2019	160,87,825.70	(160,89,676.84)	(1,851.14)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes (1 to 31)

For Pathak H D & Associates
Chartered Accountants
Firm Registration No. 107783W

For and on behalf of the Board of Directors

Vishal D. Shah
Partner
Membership No. 119303

Lalit Jain
Director
DIN : 00270338

Parth Sharma
Director
DIN : 08245533

Place : Mumbai
Date : May 28, 2019

Place : Mumbai
Date : May 28, 2019

Reliance Defence Systems Private Limited
Statement of Cash Flows for the year ended March 31, 2019

Rs. in Thousands

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Cash flow from Operating Activities		
Loss before income tax	(150,72,772.14)	(3,00,670.97)
Adjustments for:		
Depreciation	82.69	160.03
Interest Income on Inter Corporate Deposits	-	(14,360.45)
Interest and Finance Cost	36,158.19	54,143.08
Provision for leave encashment and gratuity	248.32	506.26
Loans & Other receivable written off	3,11,295.21	2,26,060.00
Provision for Diminution in value of investments	147,05,085.50	-
Provisions/Liabilities written back	(686.29)	-
Loss/(Gain) on disposal of assets	-	289.50
Cash generated from operations before working capital changes	(20,588.52)	(33,872.55)
Adjustments for:		
(Increase) / decrease in Financial Assets & Other Assets	265.26	2,219.70
Increase/(decrease) in Financial Liabilities & Other Liabilities	(1,513.16)	2,378.23
Cash generated from operations	(21,836.42)	(29,274.62)
Income taxes paid	(1,597.56)	(2,200.02)
Net cash used in Operating Activities (A)	(23,433.98)	(31,474.64)
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(14.75)	-
Proceeds from Disposal of property, plant and equipment	-	2,200.00
Purchase of Investment in associates	(4,22,457.64)	-
Inter Corporate Deposit Given	-	(50,000.00)
Net Cash used in Investing Activities (B)	(4,22,472.39)	(47,800.00)
Cash flow from Financing Activities		
Stamp Duty & Filing Expenses	-	-
Increase/(decrease) in long term borrowings	-	(2,34,537.50)
Proceeds from Equity Components of Financial Instruments (Subordinate Debt)	7,79,990.00	2,12,950.00
Increase/(Decrease) in Current Maturities of Long Term debts	(3,00,000.00)	1,54,477.29
Interest on Borrowings	(35,877.17)	(51,807.08)
Net Cash generated from Financing Activities (C)	4,44,112.83	81,082.71
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(1,793.54)	1,808.07
Cash and Cash Equivalents as at the beginning of the year	1,886.61	78.54
Cash and Cash Equivalents as at end of the year	93.07	1,886.61
Net Increase/(Decrease) as disclosed above	(1,793.54)	1,808.07

Cash and Cash Equivalents at the end of the year comprises of :

Balance with banks in current accounts (Refer Note No. 5)	93.07	1,886.61
Total Cash and Cash Equivalent	93.07	1,886.61

The above statement of Cash Flows should be read in conjunction with the accompanying notes (1 to 31)

As per our attached Report of even date

For Pathak H D & Associates
Chartered Accountants
Firm Registration No. 107783W

For and on behalf of the Board of
Directors

Vishal D. Shah
Partner
Membership No. 119303

Lalit Jagan
Director
DIN : 00270338

Parth Sharma
Director
DIN : 08245533

Place : Mumbai
Date : May 28, 2019

Place : Mumbai
Date : May 28, 2019

Reliance Defence Systems Private Limited

Notes annexed to and forming part of the Financial Statements

Background of the Company

The Company mission is to acquire capabilities and develop in-house expertise in Land based weapon platforms and systems, Air Combat vehicles, aircraft and avionics, Missiles, Unmanned systems and C4ISR systems, Surface & sub-surface ship building and development.

The Company is a private limited company incorporated and domiciled in India. The registered office of the Company is located at 502, Plot No. 91/94, Prabhat Colony, Santacruz (East), Mumbai - 400 055.

These financial statements of the Company for the year ended March 31, 2019 were authorised for issue by the board of directors on May 28, 2019. Pursuant to the provisions of section 130 of the Act the Central Government, income tax authorities and other statutory regulatory body and section 131 of the Act the board of directors of the Company have powers to amend / re-open the financial statements approved by the board / adopted by the members of the Company.

1. Significant Accounting Policies:

a) Basis of Preparation, Measurement and Significant Accounting Policies

(i) Compliance with Indian Accounting Standards (Ind AS)

The Financial statements of the Company comply in all material aspects with Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with relevant rules and other accounting principles. The policies set out below have been consistently applied during the years presented

(ii) Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the information and disclosures mandated by Schedule III to the Act, applicable Ind AS, other applicable pronouncements and regulations

These financial statements are presented in 'Indian Rupees', which is also the Company's functional currency and all amounts, are rounded to the nearest Thousands with two decimals, unless otherwise stated.

(iii) Basis of Measurement

The Financial Statement have been prepared on the historical cost convention on accrual basis except for certain financial instrument that are measured at amortised cost at the end of each reporting period.

b) Use of Estimates

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgements and assumptions. The estimates, judgements and assumptions affect the application of accounting policies and reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, at the date of financial statements and reported amounts of revenues and expenses during the period. Appropriate changes in estimates are made as the management becomes aware of the changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

c) Current versus Non-current Classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- Held primarily for the purpose of trading

All other assets are classified as non-current.

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A liability is current when:

- It is expected to be settled in normal operating cycle
- 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
- Held primarily for the purpose of trading

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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

d) Revenue Recognition Policy

Effective April 01 2018, the Company adopted Ind AS 115 'Revenue from contracts with customers' using the cumulative effect method and therefore the comparative figure has not been restated. There is no impact on the application of the above standard in the financial statements.

All the items of Income and Expense are recognized on accrual basis of accounting.

e) Financial Instruments:

1. Financial Assets

I] Classification

The Company shall classify financial assets measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) on the basis of its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

II] Initial recognition and measurement

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

Financial assets are classified, at initial recognition, as financial assets measured at fair value or as financial assets measured at amortised costs.

III] Subsequent Measurement

For purpose of subsequent measurement financial assets are classified in two broad categories:

- (a) Financial assets at fair value or
- (b) Financial assets at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Where assets are measured at fair value, gains or loss are either recognised entirely in the statement of profit and loss (i.e fair value through profit or loss) or recognised in other comprehensive income (i.e. fair value through other comprehensive income).

All other financial assets are measured at fair value through profit or loss.

Equity instruments:

The Company subsequently measures all equity investments at fair value. Where the Company's:

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management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the Statement of Profit and Loss.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in Statement of Profit and Loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investments in Associates:

The Company has accounted for its equity instruments in Associates at cost.

IV] Impairment of Financial Assets

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

V] Derecognition of Financial Assets

A financial asset is derecognised only when:

- Right to receive cash flow from assets have expired or
- The Company has transferred the rights to receive cash flows from the financial asset or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement

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

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

2. Financial Liabilities

I] Initial recognition and measurement

All financial liabilities are recognised at fair value. The Company financial liabilities include Trade and other Payables, loans and borrowings

II] Subsequent Measurement

Financial liabilities at amortized cost: After initial measurement, such financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Statement of Profit and Loss

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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(ii) Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

III] Derecognition of Financial Liabilities

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

f) Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Company's Management determines the policies and procedures for recurring and non-recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Quantitative disclosures of fair value measurement hierarchy (Refer Note No 17)

g) Property, Plant and Equipment:

Property, Plant and Equipment assets are carried at cost net of tax / duty credit availed less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, Plant and Equipment are eliminated from the financial statements, either on disposal or when retired from active use.

Gains and losses on disposals or retirement of assets are determined by comparing proceeds with carrying amount. These are recognized in the Statement of Profit and Loss.

Depreciation method

Property, Plant and Equipment have been depreciated under the straight line method as per the useful life and in the manner prescribed in Part "C" Schedule II to the Act.

h) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

j) Contingent Liabilities and Contingent Assets

Contingent liabilities are possible obligation that arise from past events and whose existence will only be confirmed by that occurrence or non occurrence of one or more future events not wholly within the control of the company.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgement of the management/independent experts.

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These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate. Contingent assets are neither recognised nor disclosed in the financial statements.

k) Cash and cash equivalent

Cash and cash equivalents in the Balance Sheet comprise of cash on hand, demand deposits with Banks, other short-term, 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.

l) Cash Flow Statement

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

m) Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred.

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. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Post-employment obligations

The Company operates the following post-employment schemes:

- (a) defined benefit plans such as gratuity; and
- (b) defined contribution plans such as provident fund, superannuation fund etc.

Defined Benefit Plans

(a) Gratuity obligations

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income(OCI). Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the period. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

(b) Provident Fund

The benefit involving employee established provident funds, which require interest shortfall to recompensated are to be considered as defined benefit plans.

Defined Contribution plans

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company makes annual contributions based on a specified percentage of each eligible employee's salary.

(iii) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

o) Income tax

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 and its subsidiaries 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 tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transition that affects neither the taxable profit nor the accounting profit.

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

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

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Income tax expense for the year comprises of current tax and deferred tax. Income tax is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised in 'Other comprehensive income' or directly in equity, in which case the tax is recognised in 'Other comprehensive income' or directly in equity, respectively.

p) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the reporting period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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 year are adjusted for the effects of all dilutive potential equity shares.

q) Recent Accounting Pronouncements:

Ind AS 116 Leases:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 01, 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

The Company is currently evaluating the effect of this amendment on the Ind AS financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition-

- i) Full retrospective approach—Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8—Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives. The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 01, 2019. The Company will adopt the standard on April 01, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 01, 2019 without adjusting comparatives.

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The Company is currently evaluating the effect of this amendment on the Ind AS financial statements.

Amendment to Ind AS 12 Income taxes:

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Effective date for application of this amendment is annual period beginning on or after April 01, 2019. The Company is currently evaluating the effect of this amendment on the Ind AS financial statements.

Amendment to Ind AS 19– Plan amendment, curtailment or settlement:

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. Effective date for application of this amendment is annual period beginning on or after April 01, 2019.

There is no impact of the amendment in the financial statements of the company

Note 2: Property, Plant and Equipment

Particulars	Vehicles	Office Equipment	Computers	Total
Year ended March 31, 2018				
Gross Carrying Amount				
Opening Gross Carrying Amount	3,161.60	-	406.54	3,568.14
Additions	-	-	-	-
Disposals	(3,161.60)	-	-	(3,161.60)
Closing Gross Carrying Amount	-	-	406.54	406.54
Accumulated Depreciation and Impairment				
Opening Accumulated Depreciation and Impairment	640.82	-	179.09	819.91
Depreciation charge during the year	31.29	-	128.74	160.03
Disposals	(672.11)	-	-	(672.11)
Closing Accumulated Depreciation and Impairment	-	-	307.83	307.83
Net carrying amount as at March 31, 2018	-	-	98.71	98.71
Year ended March 31, 2019				
Gross Carrying Amount				
Opening Gross Carrying Amount	-	-	406.54	406.54
Additions	-	14.75	-	14.75
Disposals	-	-	-	-
Closing Gross Carrying Amount	-	14.75	406.54	421.29
Accumulated Depreciation and Impairment				
Opening Accumulated Depreciation and Impairment	-	-	307.830	307.83
Depreciation charge during the year	-	4.30	78.392	82.69
Disposals	-	-	-	-
Closing Accumulated Depreciation and Impairment	-	4.30	386.22	390.52
Net Carrying Amount as at March 31, 2019	-	10.45	20.32	30.77

Note:

The carrying amount of Rs Nil (March 31, 2018- Rs. 98.72 Thousands) of Property, Plant and Equipment are pledged with the lenders.

Note 3: Financial Assets: Non-Current Investments (Non Trade)

Rs. in Thousands

Particulars	Face Value in Rs.	As at March 31, 2019		As at March 31, 2018	
		Number of shares	Rs In Thousands	Number of shares	Rs In Thousands
Investment in Equity Instruments (fully paid-up unless otherwise stated) <u>In Associate company measured at cost</u> <u>Quoted</u> Reliance Naval and Engineering Limited	10	2201,03,025	142,82,627.86	2201,03,025	142,82,627.86
Investment in Preference Shares (fully paid-up) <u>In Associate company measured at cost</u> <u>Unquoted</u> Compulsorily Redeemable Preference Shares in Reliance Naval and Engineering Limited	10	422,45,764	4,22,457.64	-	-
Less: Provision for diminution in value of investment in - Equity Instruments - Preference Shares			(142,82,627.86) (4,22,457.64)	- -	- -
Total		2623,48,789	-	2201,03,025	142,82,627.86
* 220,103,025 shares (March 31, 2018-220,103,025 shares) of Reliance Naval and Engineering Limited have been pledged with Yes Bank Limited, lenders of Reliance Infrastructure Limited					
		Book Value	Market value	Book Value	Market value
Aggregate amount of quoted Investments and market value thereof		142,82,627.86	23,81,514.73	142,82,627.86	60,30,822.89
Aggregate amount of unquoted investments		4,22,457.64	4,22,457.64	-	-
Aggregate amount of Provision for diminution in value of investments		(147,05,085.50)	(147,05,085.50)	-	-

Note 4: Financial Assets : Loans

Rs. In Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	Current	Non-Current	Current	Non-Current
Unsecured, considered good				
Security Deposits	-	338.44	-	1,100.00
Intercompany Deposits to Associates	-	-	1,19,500.00	-
Total	-	338.44	1,19,500.00	1,100.00

Rs. NIL (March 31, 2018 - Rs 1,19,500.00 Thousands) is Pledged with the lenders.

Note:

The above loan is secured by way of:

- 1) all rights, title, interest and benefits in its movable properties
- 2) all the current assets of the RNEL, both present and future, including without limitation the borrowers receivables, cash in hand, raw materials, stock in progress, semi-finished and finished goods, stores and spares not relating to plant and machinery (consumable stores and spares), all commissions, revenues, operating cash flows and amounts owing to and received by the borrower, including book debts, bills receivable etc.
- 3) all the intangibles of the RNEL, including but not limited to the Intellectual Property Rights, Goodwill, uncalled capital, trademarks and patents pertaining to projects
- 4) The above charge created & hypothecation of movable property is subordinated and subservient to the existing lenders of RNEL

Note 5: Cash and Cash Equivalents

Rs. in Thousands

Particulars	As at	As at
	March 31, 2019	March 31, 2018
Balances with banks in - Current Account	93.07	1,886.61
Total	93.07	1,886.61

Rs. NIL (March 31, 2018 - Rs 1,886.61 Thousands) is Pledged with the lenders

Note 6: Other Financial Assets

Rs. in Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	Current	Non-Current	Current	Non-Current
Advance to Employees	25.26	-	26.67	-
Interest Accrued on Inter Corporate Deposit	-	-	17,805.21	-
Other Receivables from Related Party	-	-	1,73,990.00	-
Total	25.26	-	1,91,821.88	-

Rs. NIL (March 31, 2018 - Rs 1,91,821.88 Thousands) is Pledged with the lenders

Note 7: Other Assets

Rs. in Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	Current	Non-Current	Current	Non-Current
Input Tax Credit Receivable	-	1,030.56	-	532.85
Total	-	1,030.56	-	532.85

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Note 8: Share Capital

Rs. in Thousands

Authorised Share capital	As at	
	March 31, 2019	March 31, 2018
250,00,00,000 (250,00,00,000) Equity Shares of Rs.10 each	250,00,000.00	250,00,000.00
100,00,00,000 (100,00,00,000) Preference Shares of Rs.10 each	100,00,000.00	100,00,000.00
Total Authorised Share capital	350,00,000.00	350,00,000.00

Issued, Subscribed and Paid Up Share Capital	As at	
	March 31, 2019	March 31, 2018
10,000 (10,000) Equity Shares of Rs.10 each	100.00	100.00
Total Issued, Subscribed and Paid Up Share capital	100.00	100.00

(i) Movements in Share capital

Rs. in Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	No. of shares	Rs.	No. of shares	Rs.
At the beginning of the year	10,000	100.00	10,000	100.00
Add: Issued during the year	-	-	-	-
Outstanding at the end of the year	10,000	100.00	10,000	100.00

(ii) Terms/Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The Company declares and pay dividend in Indian Rupees. The dividend proposed by the Board of Directors is subjected to the approval of Shareholders in the ensuing Annual General Meeting.

(iii) Shares of the Company held by Holding company

Particulars	As at	As at
	March 31, 2019	March 31, 2018
10,000 equity shares of Rs. 10 each fully paid		
Reliance Defence Limited, the Holding Company	100.00	100.00
Total	100.00	100.00

(iv) Details of Shareholders holding more than 5% shares in the company

Name of the Shareholders	As at March 31, 2019		As at March 31, 2018	
	No. of Shares	% held	No. of Shares	% held
Equity Shares of Rs. 10 each fully paid				
Reliance Defence Limited and its nominees	10,000	100%	10,000	100%
Total	10,000	100%	10,000	100%

Note 9: Other Equity

Rs. in Thousands

Particulars	As at	As at
	March 31, 2019	March 31, 2018
Equity Component of Financial Instruments (Subordinate Debt)	160,87,825.70	153,07,835.70
Retained Earnings	(160,89,676.84)	(10,12,627.23)
Total Other Equity	(1,851.14)	142,95,208.47

(i) Equity Component of Financial Instruments (Subordinate Debt)

Rs. in Thousands

Particulars	As at	As at
	March 31, 2019	March 31, 2018
Balance as per last Balance Sheet	153,07,835.70	150,94,885.70
Add: Addition during the year	7,79,990.00	2,12,950.00
Closing balance	160,87,825.70	153,07,835.70

Terms and Condition of Subordinate Debt

Subordinate Debts (SD) is issued to Reliance Infrastructure Limited, the Ultimate Holding Company with an option to convert at any time during the tenor of the Subordinate debt, whether in part or full into equivalent number of equity shares at par (10 SD into 1 Equity share) or to be repaid within 10 years from the date of allotment or mutually agreed. Coupon rate is 0% per annum till 18 months from date of allotment subject to reset after 18 months as mutually agreed.

(ii) Retained Earnings

Rs. in Thousands

Particulars	As at	As at
	March 31, 2019	March 31, 2018
Balance as per last Balance Sheet	(10,12,627.23)	(7,12,056.39)
Add: Loss for the year	(150,77,049.61)	(3,00,570.84)
Closing balance	(160,89,676.84)	(10,12,627.23)

Reliance Defence Systems Private Limited
Notes annexed to and forming part of the Financial Statements

Note 10: Other Financial Liabilities

Rs. in Thousands

	As at March 31, 2019		As at March 31, 2018	
	Current	Non Current	Current	Non-Current
Current Maturities of Long-term Debt	-	-	2,94,537.50	-
Interest Accrued and Due on Borrowings	-	-	5,181.48	-
Total	-	-	2,99,718.98	-

Note 11: Other Liabilities

Rs. in Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	Current	Non Current	Current	Non Current
Other Payables	-	-	427.26	-
Employee Payables	653.84	-	1,366.85	-
Statutory Dues Payables	55.08	-	1,231.25	-
Total	708.92	-	3,025.36	-

Note 12: Provisions

Rs. in Thousands

Particulars	As at March 31, 2019		As at March 31, 2018	
	Current	Non Current	Current	Non Current
Leave Encashment	26.53	255.95	674.77	215.06
Gratuity (Refer Note No 20)	0.87	138.29	0.58	104.62
Total	27.40	394.24	675.35	319.68

Reliance Defence Systems Private Limited
Notes annexed to and forming part of the Financial Statements

Note 13: Other Income

Rs. in Thousands

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Interest income from other financial assets at amortised cost		
- Intercompany deposits	-	14,360.45
Provision for Liabilities written back	686.29	-
Miscellaneous income	-	15,010.20
Total	686.29	29,370.65

Note 14: Finance Cost

Rs. in Thousands

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Interest and financing charges on financial liabilities		
Term Loans and other borrowings	30,695.69	48,680.57
Other Finance Charges	5,462.50	5,462.51
Total	36,158.19	54,143.08

Note 15: Employee Benefit Expense

Rs. in Thousands

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Salaries, Wages, Bonus, etc.	14,737.76	24,914.32
Contribution to Provident and Other Funds	250.90	311.46
Gratuity Expense (Refer Note No 20)	187.64	109.42
Leave Encashment	60.68	396.84
Workmen and Staff Welfare	1,631.22	3,354.18
Total	16,868.20	29,086.22

Note 16: Other Expenses

Rs. in Thousands

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Communication Expenses	28.32	108.67
Hire Charges	402.30	848.14
Rent	2,239.12	1,954.24
Brokerage and Commission	-	163.00
Audit Fees	40.00	40.00
Travelling and Conveyance	199.83	1,800.00
Insurance	258.05	211.36
Rates and taxes	2.50	2.50
Stamp Duty and Filing fees	23.19	42.04
Legal and Professional Charges	130.67	277.23
Printing & Stationery	-	2.24
Miscellaneous expense	185.53	148.04
Consumables	-	14,687.40
Books and Periodicals	4.15	-
Advertisement & Business Promotion	455.00	-
Entertainment and Hospitality	-	2.35
Licence & Application Fees	-	15.60
Net Loss on Disposal of Fixed Assets	-	289.50
Total	3,968.66	20,592.31

Note 17: Fair Value Measurements

(a) Financial Instruments by category

(i) Significance of Financial Instruments

Particulars	Rs. in Thousands	
	As at March 31, 2019	As at March 31, 2018
Financial Assets		
At Amortised Cost		
Loans	-	1,19,500.00
Security Deposits	338.44	1,100.00
Interest accrued on inter corporate deposits	-	17,805.21
Other Receivables From Related Party	-	1,73,990.00
Advance to Employee	25.26	26.67
Cash and Cash equivalent	93.07	1,886.61
At Fair value through profit & loss	-	-
Total Financial Assets	456.77	3,14,308.49
Financial Liabilities		
At Amortised Cost		
Trade Payables	4,383.45	3,598.43
Current maturities of long-term debt	-	2,94,537.50
Interest accrued and due on borrowings	-	5,181.48
At Fair value through profit & loss	-	-
Total Financial Liabilities	4,383.45	3,03,317.41

b) Fair Value Hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Fair Value Hierarchy -Assets and liabilities which are measured at amortised cost for which fair values are disclosed

Financial Assets	Rs. in Thousands	
	As at March 31, 2019	As at March 31, 2018
Level 3		
Loans	-	1,19,500.00
Security Deposits	338.44	1,100.00
Interest accrued on inter corporate deposits	-	17,805.21
Advance to Employees	25.26	26.67
Other Receivables From Related Party	-	1,73,990.00
Cash and Cash Equivalent	93.07	1,886.61
Total financial assets	456.77	3,14,308.49
Financial Liabilities		
Level 3		
Trade Payables	4,383.45	3,598.43
Current maturities of long-term debt	-	2,94,537.50
Interest accrued and due on borrowings	-	5,181.48
Total Financial Liabilities	4,383.45	3,03,317.41

Recognised fair value measurements

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price. The mutual funds are valued using the closing NAV.

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

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

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Note 18: Financial Risk Management

The Company's risk management is carried out by a treasury department (company treasury) under policies approved by board of directors. Treasury team identifies, evaluates and hedges financial risk in close co-operation with the company's operating units. The Management of the Company provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk and credit risk, use of derivative financial instrument and non-derivative financial instrument, and investments of excess liquidity.

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is engaged in Defence Business.

The Company does not have any significant exposure to credit risk.

(ii) Cash and Cash Equivalents & Other Financial Asset

The Company held cash and cash equivalents & other financial assets with credit worthy banks aggregating Rs. 93.07 Thousands and Rs. 1,886.61 Thousands as at March 31, 2019 and March 31, 2018 respectively. The credit worthiness of such banks and financial institutions is evaluated by the management on an ongoing basis and is considered to be good.

(iii) Market Risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to any significant currency risk and equity price risk.

(a) 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.

Exposure to Interest Rate Risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows.

Variable Rate Instruments	Rs. in Thousands	
	As at March 31, 2019	As at March 31, 2018
Borrowings	-	2,94,537.50
	<u>-</u>	<u>2,94,537.50</u>

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Company does not have any designated derivatives (interest rate swaps).

Therefore, a change in interest rates at the reporting date would not affect profit or loss.

b) Sensitivity Analysis

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

Impact on profit/loss after tax	Rs. in Thousands	
	As at March 31, 2019	As at March 31, 2018
Interest rates (increase) by 100 basis points	-	(2,186.94)
Interest rates decrease by 100 basis points	-	2,186.94

Reliance Defence Systems Private Limited
Notes annexed to and forming part of the Financial Statements

Note 18: Financial Risk Management

Liquidity Risk - Table

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

As at March 31, 2019	Rs. in Thousands			
	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Non-derivatives				
Borrowings	-	-	-	-
Trade and Other payables	4,383.45	-	-	4,383.45
Other Financial liabilities	-	-	-	-
Total non-derivatives	4,383.45	-	-	4,383.45

As at March 31, 2018	Rs. in Thousands			
	Less than 1 year	Between 1 year and 5 years	Over 5 years	Total
Non-derivatives				
Borrowings*	2,94,537.50	-	-	2,94,537.50
Trade and Other payables	3,598.43	-	-	3,598.43
Other Financial liabilities	5,181.48	-	-	5,181.48
Total non-derivatives	3,03,317.41	-	-	3,03,317.41

* includes contractual interest payments based on the interest rate prevailing at the reporting date.

Reliance Defence Systems Private Limited
Notes annexed to and forming part of the Financial Statements

Note 19: Capital Risk Management

The Company's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. It sets the amount of capital required on the basis of annual business and long term operating plans which includes capital and other strategic investments.

The funding requirements are made through a mixture of equity and borrowings. The Company's policy is to use long term borrowings to meet anticipated funding requirements.

The Company's adjusted Net Debt to Equity ratio are as follows

Particulars	Rs. in Thousands	
	As at March 31, 2019	As at March 31, 2018
Total Borrowings	-	2,94,537.50
Less: Cash and Cash Equivalents	93.07	1,886.61
Adjusted Net debt (a)	-	2,92,650.89
Adjusted Equity (b)	(1,751.14)	142,95,308.47
Adjusted Net debt to Equity ratio (a) / (b)	-	0.02

Note 20: Disclosure under Ind AS 19 "Employee Benefits"

a) Defined Contribution plan

The following amount recognized as an expense in Statement of profit and loss on account of provident fund and other funds. There are no other obligations other than the contribution payable to the respective authorities.

Particulars	Rs. In Thousands	
	As at March 31, 2019	As at March 31, 2018
Contribution to Provident Fund	235.17	216.15
Contribution to Employee Pension Scheme	-	13.75
Total	235.17	229.90

b) Defined Benefit plan

i) Gratuity

The guidance on implementing Ind.AS 19, Employee Benefits issued by Accounting Standard Board states benefit involving employee established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans

The following tables summaries the amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

Particulars	Rs. In Thousands	
	Gratuity	
	As at March 31, 2019	As at March 31, 2018
Opening defined benefit liability / (assets)	105.20	95.91
Net employee benefit expense recognised in the employee cost		
Current service cost	179.56	102.67
Past service cost	-	-
Interest cost on benefit obligation	8.08	6.75
(Gain) / losses on settlement	-	-
Net benefit expense	187.64	109.42
Amount recorded in Other Comprehensive Income (OCI)		
Measurement during the year due to :		
Return on plan assets, excluding amounts included in interest expense/(income)	-	-
Actuarial loss / (gain) arising from change in financial assumptions	1.54	10.94
Actuarial loss / (gain) arising from change in demographic assumptions	(29.31)	-
Actuarial loss / (gain) arising on account of experience changes	(125.91)	(111.07)
Amount recognized in OCI	(153.68)	(100.13)
Benefit Paid	-	-
Closing net defined benefit liability / (asset)	139.16	105.20

Particulars	Gratuity	
	As at March 31, 2019	As at March 31, 2018
	Opening fair value of plan assets	-
Net employee benefit expense recognised in the employee cost		
Interest cost on benefit obligation	-	-
(Gain) / losses on settlement	-	-
Net benefit expense	-	-
Amount recorded in Other Comprehensive Income (OCI)		
Measurement during the year due to :		
Return on plan assets, excluding amounts included in interest expense/(income)	-	-
Actuarial loss / (gain) arising from change in financial assumptions	-	-
Actuarial loss / (gain) arising on account of experience changes	-	-
Experience (gains)/losses	-	-
Amount recognized in OCI	-	-
Employer contributions/premiums paid	-	-
Benefits Paid	-	-
Closing fair value of plan assets	-	-

Note 20: Disclosure under Ind AS 19 "Employee Benefits"

The net liability disclosed above relates to unfunded plan is as follows:

Particulars	Rs. in Thousands	
	Gratuity	
	As at March 31, 2019	As at March 31, 2018
Present value of funded obligations		
Fair value of plan assets	-	-
Present value of unfunded obligations	139.16	105.20
Amount not recognised as an asset (asset ceiling)	-	-
	139.16	105.20
Net liability is bifurcated as follows :		
Current	0.87	0.58
Non Current	138.29	104.63
Total	139.16	105.20

Particulars	Gratuity	
	As at March 31, 2019	As at March 31, 2018
Discount rate	7.50%	7.70%
Expected rate of return on plan assets (p.a.)	-	-
Salary escalation rate (p.a.)	9.75%	9.75%
Mortality pre-retirement	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2006-08)

A quantitative analysis for significant assumption is as shown below:

Particulars	Gratuity	
	As at March 31, 2019	As at March 31, 2018
Assumptions -Discount rate		
Sensitivity Level	50 bp	50 bp
Impact on defined benefit obligation -In % increase	-2.75%	-3.41%
Impact on defined benefit obligation -In % decrease	2.84%	3.56%
Assumptions -Future Salary Escalation		
Sensitivity Level	50 bp	50 bp
Impact on defined benefit obligation -in % increase	2.77%	3.47%
Impact on defined benefit obligation -in % decrease	-2.70%	-3.37%

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on past service of the employees as at the valuation date:

Particulars	Rs. in Thousands	
	Gratuity	
	As at March 31, 2019	As at March 31, 2018
Within the next 12 months (next annual reporting year)	0.87	0.58
Between 2 and 5 years	45.01	12.81
Between 6 and 9 years	170.48	170.99
For and Beyond 10 years	-	-
Total expected payments	216.36	184.38

Note 21: Income Tax and Deferred Tax (Net)

21(a) Income Tax Expense

Rs. in Thousands

Particulars	March 31, 2019	March 31, 2018
(a) Income tax expense		
<i>Current tax</i>		
Current tax on profits for the year	-	-
Adjustments for current tax of prior periods	4,431.15	-
Total current tax expense (A)	4,431.15	-
<i>Deferred tax</i>		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
Total deferred tax expense/(benefit) (B)	-	-
Income tax expense (A + B)	4,431.15	-

21(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

Rs. in Thousands

Particulars	March 31, 2019	March 31, 2018
Loss before income tax expense	(150,72,772.14)	(3,00,670.97)
Tax at the Indian tax rate of 26% (March 31, 2018 : 25.75%)	(39,18,920.76)	(77,422.78)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax losses for which no deferred income tax was recognised	39,18,920.76	77,422.78
Adjustments for current tax of prior periods	4,431.15	-
Income tax expense charged to Statement of Profit and Loss	4,431.15	-

Note: The Company has not recognised deferred tax asset on the unabsorbed losses as the Company has not yet commenced its business operation and also has not claimed the loss while filing their income tax returns.

21(c) Amounts recognised in respect of current tax/deferred tax directly in equity

Rs. in Thousands

Particulars	March 31, 2019	March 31, 2018
Amounts recognised in respect of current tax/deferred tax directly in equity	-	-

21(d) Tax Losses and Tax Credits

Rs. in Thousands

Particulars	March 31, 2019	March 31, 2018
Tax Losses		
Short Term Capital Loss for which no deferred tax asset has been recognised	58,797.51	58,232.15

Reliance Defence System Private Limited**Notes annexed to and forming part of the Financial Statements****22. Segment wise Revenue, Results and Capital Employed**

The Company has not commenced its commercial operation hence; there are no separate reportable segments as required under Indian Accounting Standard 108 "Operating Segment" as prescribed under Section 133 of the Act.

23. Related Party Disclosure

As per Indian Accounting Standard – 24 as prescribed under Section 133 of the Act, the Company's related parties and transactions are disclosed below:

(a) Parties where control exists:

- (i) Ultimate Holding Company - Reliance Infrastructure Limited
- (ii) Holding Company - Reliance Defence Limited

(b) Other related parties with whom transactions have taken place during the year:

- i. Associates - Reliance Naval and Engineering Limited
- ii. Person having significant influence over holding Company - Shri Anil Dhirubhai Ambani
- iii. Enterprises over which person described in (b)(ii) above has significant influence:-
 - (a) Reliance Communications Limited
 - (b) Reliance HR Services Private Limited

(c) Details of transactions during the year and closing balances at the year end:**(Rs. in Thousands)**

Particulars	2018-19	2017-18
Transactions during the year:		
(a) Balance Sheet Items:		
<u>Equity Component of Financial Instruments (Subordinate Debts) Received / Conversion</u>		
- Reliance Infrastructure Limited	5,01,258.00	2,12,950.00
<u>Inter Corporate Deposits Received and Converted to Subordinate debts</u>		
- Reliance Infrastructure Limited	2,78,732.00	2,000.00
<u>Inter Corporate Deposits Given</u>		
- Reliance Naval and Engineering Limited	-	50,000.00
<u>Investment in Preference Share Capital</u>		
- Reliance Naval and Engineering Limited	4,22,457.64	-
<u>Trade and Other Payable</u>		
- Reliance Defence Limited	-	14.37
(b) Expenses:		
Communication Expenses		
- Reliance Communications Limited		75.00

Reliance Defence System Private Limited

Notes annexed to and forming part of the Financial Statements

Particulars	2018-19	2017-18
Rent for Office		
- Reliance Infrastructure Limited	2,239.12	1,954.00
Employees Group Medical & Life Insurance		
- Reliance Infrastructure Limited	310.28	188.10
Employee Benefit Expenses and Professional Fees		
- Reliance HR Services Private Limited	2,766.35	3,247.48
Exceptional Item (Balances written off and Provisions for diminution)		
- Reliance Naval and Engineering Limited	1,50,16,380.71	-
(c) Income :		
Interest on Inter Corporate Deposits (ICD)		
- Reliance Naval and Engineering Limited	-	14,360.45
Closing Balances:		
(a) Share Capital		
- Reliance Defence Limited	100.00	100.00
(b) Equity Component of Financial Instruments (Subordinate Debts)		
- Reliance Infrastructure Limited	160,87,825.70	1,53,07,835.70
(c) Financial Assets : Non Current- Investment in Associate		
- Reliance Naval and Engineering Limited - Equity	142,82,627.86	142,82,627.86
- Reliance Naval and Engineering Limited - Preference Share	4,22,457.64	-
(d) Provision for diminution of Investment		
- Reliance Naval and Engineering Limited - Equity	142,82,627.86	-
- Reliance Naval and Engineering Limited - Preference Share	4,22,457.64	-
(e) Financial Assets: Loans (Inter Corporate Deposit)		
- Reliance Naval and Engineering Limited	-	1,19,500.00
(f) Other Financial Assets (Interest Accrued and Other Receivables)		
- Reliance Naval and Engineering Limited	-	1,91,795.21
(g) Trade and Other Payable		
- Reliance Infrastructure Limited	4,147.31	2,122.59

Reliance Defence System Private Limited

Notes annexed to and forming part of the Financial Statements

24. Disclosures as required under Ind. AS- 7

Disclosure as required under para 44A to E of Ind AS - 7 "Statement of Cash Flows" as prescribed under Section 133 of the Act, is given below :

(Rs. in Thousands)			
Sr. No.	Particulars	2018-19	2017-18
1	Equity Component of Financial Instr (Subordinated Debt)		
	Opening Balance	153,07,835.70	150,94,885.70
	Issued during the year	7,79,990.00	2,12,950.00
	Repaid during the year	-	-
	Closing Balance	160,87,825.70	153,07,835.70
2	Borrowings (including Current Maturities)		
	Opening Balance	2,94,537.50	3,69,075.00
	Availed during the year	-	-
	Repaid during the year	(2,89,075.00)	(69,075.00)
	Impact of non-cash item		
	- Impact of Effective Rate of Interest	(5,462.50)	(5,462.50)
	Closing Balance	-	2,94,537.50
3	Interest Accrued and Due on Borrowings		
	Opening Balance	5,181.48	8,368.19
	Accrued during the year	29,150.63	43,812.52
	Repaid during the year	34,332.11	46,999.23
	Closing Balance	-	5,181.48
4	Inter Corporate Deposits		
	Opening Balance	-	-
	Issued during the year	2,78,732.00	-
	Conversion to Sub Debt during the year	(2,78,732.00)	-
	Closing Balance	-	-

25. Disclosure under Section 186 (4) of the Act:

Sr. No.	Particulars	Amount (Rs in Thousands)	Purpose	Security
1.	Investment in Equity and Preference Shares of Reliance Naval and Engineering Limited (Refer Note No. 29).	1,47,05,085.50	--	Refer Note No.3

26. Earnings per Share

Sr. No.	Particulars	Year ended March 31, 2019	Year ended March 31, 2018
(i)	Loss after tax available for Equity Share holders (Rs. in Thousands)	(150,77,203.29)	(3,00,670.97)
(ii)	Weighted Average Number of Equity Shares (Nos.)	10,000	10,000
(iii)	Nominal Value per Share (Rs.)	10	10
(iv)	Earnings per Equity Share- Basic	(15,07,720.33)	(30,067.10)
(v)	Earnings per Equity Share- Diluted	(15,07,720.33)	(30,067.10)

Reliance Defence System Private Limited

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27. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

28. During the year, the Company had defaulted/delay in repayment of the loan from SREI Equipment Finance Limited amounting to Rs.3,30,414.67 Thousands including the interest (normal and penal). The maximum no of Days delay was 275 days. However, the Company has repaid the loan along with interest and there is no outstanding balance as on balance sheet date.

29. Contingent Liability

There are numerous interpretative issues relating to the Supreme Court (SC) judgement dated February 28th, 2019 on Provident Fund (PF) on the inclusion of allowances for the purpose of PF contribution as well as its applicability of effective date. The Company is evaluating for further clarity and its impact on its financial statement. The Company, in respect of the above mentioned Contingent Liabilities has assessed that it is only possible but not probable that outflow of economic resources will be required

30. In respect of Reliance Naval And Engineering Limited (RNEL), an associate of Company, conditions indicate that a material uncertainty exists that may cast significant doubt on RNEL's ability to continue as a going concern as its net worth has been substantially eroded as on March 31, 2019, lack of new orders, losses in the operations, erosion of net worth and calling back of loans by secured lenders has resulted into financial constraints, applications have been made to the National Company Law Tribunal (NCLT), Ahmedabad, under section 9 of the Insolvency Bankruptcy Code 2016 and winding up petitions been filed before Hon'ble Gujarat High Court for recovery of their dues by few operating creditors. The Board of Directors of RNaval had mandated committee of directors to carry out the in depth analysis to arrive at workable solution of the business restructuring. During the year, the committee based on the valuation exercise carried out by the independent expert, recommended the Impairment of the Property Plant and Equipment, Capital Work in Progress, certain advances and receivables. Further, the Honorable Supreme Court in the matter of Shipyard Association of India, in which RNEL is also a member, has quashed the RBI Circular dated February 12, 2018 vide its order dated April 02, 2019. Based on the new guidelines from RBI for resolution of stress assets, RNEL is engaged with the lenders to achieve debt resolution. In view of above, RNEL continues to prepare its accounts on going concern basis.

However, out of prudence, the Company has fully provided for the value of investment in equity and preference shares held in RNEL amounting to Rs. 1,47,05,085.50 Thousands (Rs. Nil) and written off the investments Rs. Nil (Rs. 2,26,060.00 thousands). Further, exposure of Rs.3,11,295.21 Thousand (Rs. Nil) Inter Corporate Deposit given and other Receivable also has been written off in the statement of profit and loss. The above item has been considered as exceptional item in the financial statement.

On account of above, the networth of the Company has fully eroded as at March 31, 2019. However, pending debt resolution plan of RNaval and considering the financial support given by the holding Company viz. Reliance Infrastructure Limited, the accounts have been prepared on going concern basis.

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Notes annexed to and forming part of the Financial Statements

31. Figures for the previous year have been regrouped / reclassified /rearranged wherever necessary to make them comparable to those for the current year.

As per our attached report of even date

For Pathak H. D. & Associates
Chartered Accountants
Firm Registration No.: 107783W

For and on behalf of the Board of Directors

Vishal D. Shah
Partner
Membership No.: 119303

Lalit Jain
Director
DIN : 00270338

Parth Sharma
Director
DIN : 08245533

Place: Mumbai
Date: May 28, 2019

Place: Mumbai
Date: May 28, 2019