Palred Online Technologies Private Limited

Financial Statements and Independent Auditor's Report

31 March 2018

Contents

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of Palred Online Technologies Private Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Palred Online Technologies Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') 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 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Walker Chandiok & Co LLP Hyderabad WCC

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2018, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The Company had prepared separate sets of statutory financial statements for the year ended 31 March 2017 and 31 March 2016 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 26 May 2017 and 30 May 2016 respectively. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.

Walker Chandiok & Co LLP Hyderabad

11. Further, to our comments in Annexure A, 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 purpose 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 financial statements dealt with by this report are in agreement with the books of account;

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

e. on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;

f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 30 May 2018 as per Annexure B expresses unmodified opinion; and

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

   i. the Company does not have any pending litigation which would impact its financial position;

   ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

   iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

Walker Chandiok & Co LLP

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

Nikhil Vaid

per **Nikhil Vaid**
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2018

Annexure A to the Independent Auditor's Report of even date to the members of Palred Online Technologies Private Limited, on the financial statements for the year ended 31 March 2018

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

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

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (in the nature of 'Property, plant and equipment'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies between physical inventory and book records were noticed on physical verification.

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

(iv) In our opinion, the Company has complied with the provisions of Section 186 in respect of investments. Further, in our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act in respect of loans, guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there has been slight delays in few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

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(b) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank during the year. The Company has no loans or borrowings to financial institution or government and did not have any outstanding debenture during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has made private placement of shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised were applied for the purposes for which these securities were issued, though idle funds which were not required for immediate utilisation have been invested in liquid investments, payable on demand. During the year, the Company did not make preferential allotment/ private placement of fully/partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

Walker Chandiok & Co LLP

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

Nikhil Vaid

per **Nikhil Vaid**
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2018

Annexure B to the Independent Auditor's Report of even date to the members of Palred Online Technologies Private Limited, on the financial statements for the year ended 31 March 2018

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the financial statements of Palred Online Technologies Private Limited ('the Company') as on and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting (IFCoFR) of the Company as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Walker Chandiok & Co. LLP
Hyderabad
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Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Walker Chandiok & Co LLP

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

Nikhil Vaid

per **Nikhil Vaid**
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2018

Palred Online Technologies Private Limited

Balance Sheet as at 31 March 2018

(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2018	31 March 2017	1 April 2016
ASSETS				
Non-current assets				
Property, plant and equipment	7	2,345,343	7,642,209	7,645,504
Intangible assets	8	2,649,548	2,066,552	2,564,335
Financial assets				
Investments	9(a)	14,293,890	285,780	285,780
Loans	9(c)	1,299,827	2,954,827	3,592,325
Other non-current assets	10	-	6,792,158	-
Total non-current assets		**20,588,608**	**19,741,526**	**14,087,944**
Current assets				
Inventories	11	55,118,925	41,706,234	56,088,481
Financial assets				
Investments	9(b)	10,135,552	-	246,850,835
Cash and cash equivalents	9(d)	2,027,885	984,493	15,600,816
Bank balances other than cash and cash equivalents	9(e)	22,503,946	-	-
Other financial assets	9(f)	21,204,460	21,116,615	10,836,235
Other current assets	10	20,089,087	5,751,851	5,781,445
Total current assets		**131,079,855**	**69,559,193**	**335,157,812**
Total assets		**151,668,463**	**89,300,719**	**349,245,756**
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	12	309,830,720	293,761,300	246,913,040
Other equity	13	(234,558,585)	(286,970,347)	(23,041,122)
Total equity		**75,272,135**	**6,790,953**	**223,871,918**
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Other financial liabilities	14(c)	909,400	-	-
Employee benefit obligations	15	454,364	398,051	254,507
Total non-current liabilities		**1,363,764**	**398,051**	**254,507**
Current liabilities				
Financial liabilities				
Borrowings	14(a)	3,372,923	20,000,000	-
Trade payables	14(b)	33,319,997	31,819,910	22,761,888
Other financial liabilities	14(c)	36,008,194	27,627,395	67,924,342
Other current liabilities	16	2,329,847	2,663,025	34,432,491
Employee benefit obligations	15	1,603	1,385	610
Total current liabilities		**75,032,564**	**82,111,715**	**125,119,331**
Total liabilities		**76,396,328**	**82,509,766**	**125,373,838**
Total equity and liabilities		**151,668,463**	**89,300,719**	**349,245,756**

The accompanying notes form an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Co LLP**

Chartered Accountants

per Nikhil Vaid

Partner

Place: Hyderabad

Date: 30 May 2018

For and on behalf of Board of Directors of

Palred Online Technologies Private Limited

Ameen Khwaja

Managing Director

DIN : 00800284

S.Vijaya Saradhi

Director

DIN: 03089889

Harish Naidu Pinekalapati

Director

DIN : 07010812

Place: Hyderabad

Date: 30 May 2018

Palred Online Technologies Private Limited
Statement of Profit and Loss for the year ended 31 March 2018
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2018	31 March 2017
Revenue from operations	17	512,080,761	410,672,819
Other income	18	2,016,451	2,316,434
Total income		**514,097,212**	**412,989,253**
Expenses			
Purchases of stock-in-trade		209,722,430	150,420,134
Changes in inventories of stock-in-trade	19	(15,008,698)	16,073,454
Employee benefits expense	20	48,437,303	38,865,844
Finance costs	21	393,576	-
Depreciation and amortisation expense	7, 8	4,066,502	4,965,113
Other expenses	22	320,480,154	290,748,366
Total expenses		**568,091,267**	**501,072,911**
Loss before tax		**(53,994,055)**	**(88,083,658)**
Tax expense		-	-
Loss for the year		**(53,994,055)**	**(88,083,658)**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations - Gain		(44,843)	(232,151)
Other comprehensive income for the year		**44,843**	**232,151**
Total comprehensive income for the year		**(53,949,212)**	**(87,851,507)**
Earnings per equity share [EPES]			
Basic and Diluted EPES		(1.63)	(3.09)
Weighted average number of equity shares considered for calculation of basic and diluted EPES		33,097,644	28,495,874
Nominal value per equity share		10	10

The accompanying notes form an integral part of these financial statements.

This is the Statement of Profit and Loss referred in our report of even date.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP
Chartered Accountants

Nikhil Vaid
per **Nikhil Vaid**
Partner

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2018

For and on behalf of Board of Directors of
Palred Online Technologies Private Limited

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN: 03089889

Harish Naidu Pinekalapati
Director
DIN : 07010812

PALRED ONLINE TECHNOLOGIES PVT. LTD. * HYDERABAD *

Place: Hyderabad
Date: 30 May 2018

Palred Online Technologies Private Limited

Cash Flow Statement for the year ended 31 March 2018

(All amounts in ₹ unless otherwise stated)

		31 March 2018	31 March 2017
Cash flows from operating activities			
Loss before tax		**(53,994,055)**	**(88,083,658)**
Adjustments :			
Dividend income from mutual funds		(1,048,337)	(1,493,595)
Interest expense		393,576	-
Interest income		(853,961)	-
Employee benefit expenses		288,166	371,141
Due from collection agencies written off		3,033,069	1,518,815
Depreciation and amortisation expense		4,066,502	4,965,113
Operating loss before working capital changes		**(48,115,040)**	**(82,722,184)**
Movements in working capital:			
Changes in inventories		(15,236,005)	14,382,247
Changes in loans		727,000	637,498
Changes in other financial assets		(2,826,893)	(11,799,195)
Changes in other assets		(7,851,966)	(6,762,564)
Changes in trade payables		1,500,087	9,058,022
Changes in other financial liabilities		9,200,842	(23,281,215)
Changes in employee benefit obligations		(186,792)	5,329
Changes in other current liabilities		(333,178)	(31,769,466)
Cash used in operating activities		**(63,121,945)**	**(132,251,528)**
Income taxes paid		-	-
Net cash used in operating activities	**A**	**(63,121,945)**	**(132,251,528)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,774,677)	(4,566,725)
Proceeds from sale of business functions		30,000,000	-
Investment in subsidiaries		(14,008,110)	-
Investment in term deposits, net		(22,503,946)	-
(Investments in)/ net proceeds from mutual funds		(10,135,552)	246,850,835
Dividend income from mutual funds		1,048,337	1,493,595
Interest received		559,940	-
Net cash used in/(generated from) investing activities	**B**	**(18,814,008)**	**243,777,705**
Cash flows from financing activities			
Proceeds from issuance of equity shares		99,999,998	53,857,500
(Redemption)/proceeds from issuance of preference shares		(20,000,000)	20,000,000
Refund of share application money, pending allotment		-	(200,000,000)
Proceeds from current borrowings, net		3,372,923	-
Interest paid		(393,576)	-
Net cash generated from/(used) in financing activities	**C**	**82,979,345**	**(126,142,500)**

Walker Chandiok & Co. LLP Hyderabad

PALRED ONLINE TECHNOLOGIES PVT. LTD. HYDERABAD

Palred Online Technologies Private Limited
Cash Flow Statement for the year ended 31 March 2018
(All amounts in ₹ unless otherwise stated)

	31 March 2018	31 March 2017
Net increase/(decrease) in cash and cash equivalents (A+B+C)	1,043,392	(14,616,323)
Cash and cash equivalents at the beginning of year	984,493	15,600,816
Cash and cash equivalents as at the end of the year	**2,027,885**	**984,493**

This is the Cash Flow Statement referred to in our report of even date.

Walker Chandiok & Co LLP
For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Nikhil Vaid**
Partner

Place: Hyderabad
Date: 30 May 2018

For and on behalf of Board of Directors of
Palred Online Technologies Private Limited

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN : 03089889

Harish Naidu Pinekalapati
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2018

Palred Online Technologies Private Limited
Statement of Changes in Equity for the year ended 31 March 2018
(All amounts in ₹ unless otherwise stated)

A. Equity share capital

	31 March 2018	31 March 2018
Balance at the beginning of the year	293,761,300	246,913,040
Issue of equity shares	16,069,420	46,848,260
Balance at the end of the year	**309,830,720**	**293,761,300**

B. Other equity

	Share application money	Reserves and surplus		OCI	Total
		Securities premium reserve	Retained earnings	Actuarial gains	
As at 1 April 2016	**183,086,958**	**29,386,958**	**(235,515,038)**	-	**(23,041,122)**
Refund of Share application money	(183,086,958)	-	-	-	(183,086,958)
Issue of equity shares	-	7,009,240	-	-	7,009,240
Loss for the year	-	-	(88,083,658)	-	(88,083,658)
Remeasurement of post-employment benefit obligations	-	-	-	232,151	232,151
Total comprehensive loss	-	-	**(88,083,658)**	**232,151**	**(87,851,507)**
As at 31 March 2017	-	**36,396,198**	**(323,598,696)**	**232,151**	**(286,970,347)**
Issue of equity shares	-	83,930,578	-	-	83,930,578
Contribution from Palred Technologies Limited (refer note 27)	-	22,430,396	-	-	22,430,396
Loss for the year	-	-	(53,994,055)	-	(53,994,055)
Remeasurement of post-employment benefit	-	-	-	44,843	44,843
Total comprehensive loss	-	-	**(53,994,055)**	**44,843**	**(53,949,212)**
As at 31 March 2018	-	**142,757,172**	**(377,592,751)**	**276,994**	**(234,558,585)**

This is the Statement of Changes in Equity referred to in our report of even date.

Walker Chandiok & Co LLP
For **Walker Chandiok & Co LLP**
Chartered Accountants

Nikhil Vaid
per **Nikhil Vaid**
Partner

Chandiok & Co. LLP Walker Hyderabad

Place: Hyderabad
Date: 30 May 2018

For and on behalf of Board of Directors of
Palred Online Technologies Private Limited

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN : 03089889

Harish Naidu Pinekalapati
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2018

PALRED ONLINE TECHNOLOGIES PVT. LTD. HYDERABAD

Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹unless otherwise stated)

1. Company's overview

Palred Online Technologies Private Limited (the 'Company') is a private company domiciled in India and incorporated under the provisions of the erstwhile Companies Act 1956. The Company is engaged in the business of trading in mobile and computer accessories and other electronic products. The Company is a subsidiary of Palred Technologies Limited ("Holding Company") whose equity shares are listed on National Stock Exchange and Bombay Stock Exchange in India.

The Company have its registered office at H. No. 8-2-703/2/B, Plot No. 2, Road No. 12, Banjara Hills, Hyderabad, Telangana – 500 034.

2. Statement of compliance with Ind AS

The financial statements of the Company have been prepared and presented in accordance with all the material aspects of the Indian Accounting Standards ('Ind AS') as notified under section 133 of the Companies Act 2013 read with the Companies (Indian Accounting Standards) Rules 2015 (by Ministry of Corporate Affairs ('MCA')), as amended from time to time. The Company has uniformly applied the accounting policies during the periods presented.

For all periods up to and including the year ended 31 March 2017, the Company has prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP or Indian GAAP). These financial statements for the year ended 31 March 2018 are the first which the Company has prepared in accordance with Ind AS (see note 31 for explanation for transition to Ind AS). For the purpose of comparatives, financial statements for the year ended 31 March 2017 are also prepared under Ind AS.

These financial statements for the year ended 31 March 2018 were authorized and approved for issue by the Board of Directors on 30 May 2018.

3. Basis of preparation of separate financial statements

These financial statements are separate financial statements as the Company is exempted from the preparation of consolidated financial statements being a subsidiary of Palred Technologies Limited, a Hyderabad based Company which produces consolidated financial statements available for public use. The registered office of Palred Technologies Limited where those consolidated financial statements can be obtained is H. No. 8-2-703/2/B, Plot No. 2, Road No. 12, Banjara Hills, Hyderabad, Telangana – 500 034.

The financial statements have been prepared on going concern basis under the historical cost basis except for the following:

i. certain financial assets and liabilities are measured either at fair value or at amortised cost depending on the classification; and
ii. employee defined benefit liabilities are recognised as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation, if any.

4. Summary of significant accounting policies

4.0 Operating Cycle and Current versus non-current classification

The Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of assets and liabilities.

An **asset** is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or

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• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

All other liabilities are classified as non-current. Deferred tax liabilities are classified as non-current liabilities.

4.1 Foreign currency

Functional and presentation currency
The financial statements are presented in Indian Rupee ('₹') which is also the functional and presentation currency of the Company.

Transactions and balances
Foreign currency transactions are initially recorded in the functional currency, by applying to the functional currency spot exchange rate between the functional currency and the foreign currency at the date the transaction first qualifies for recognition.

Foreign currency monetary items are converted to functional currency using the functional currency closing spot exchange rates at the reporting date.

Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

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

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the Statement of Profit and Loss in the year in which they arise.

4.2 Fair value measurement

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

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

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- 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.

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.

4.3 Revenue recognition

Revenue is recognized, when it is probable that economic benefits associated with a transaction flows to the Company in the course of its ordinary activities and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding the taxes or duties collected on behalf of government.

Sale of goods
Revenue from sale of goods is recognized when the following conditions are satisfied:

- The Company has transferred the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods includes only the gross inflows of economic benefits, received and receivable by the Company, on its own account. Amounts collected on behalf of third parties such as sales tax, goods and services tax and value added tax are excluded from revenue. Accrual for sales returns and other allowances are provided at the point of sale based upon past experience. Adjustments to such returns and other allowances are made as new information becomes available.

Sale of services
Revenue from services is recognized as the related services are performed. The amount recognized as revenue is exclusive of discounts and taxes.

The recovery of service tax (upto 30 June 2017) and Goods and Services tax (from 1 July 2017) is not made by the Company on its own account. Rather, it is collected on services provided by the Company on behalf of the government. Accordingly, it is excluded from revenue.

Interest Income
Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's gross carrying amount on initial recognition. Interest income is included in other income in the Statement of Profit and Loss.

Dividend
Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

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4.4 Taxes

Income tax expense comprises of current tax expense and deferred tax. Current and deferred taxes are recognized in Statement of Profit and Loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Current income tax
Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act of the respective jurisdiction. The current tax is calculated using tax rates that have been enacted or substantively enacted, at the reporting date.

Deferred tax
Deferred tax is recognized using the Balance Sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled and are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent it is reasonably certain that the Company will pay normal income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

Dividend distribution tax (DDT)
Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

4.5 Borrowing costs

Borrowing costs consists of interest, ancillary costs and other costs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs attributable to acquisition and/or construction of qualifying assets are capitalised as a part of the cost of such assets, up to the date such assets are ready for their intended use. Other borrowing costs are charged to the Statement of Profit and Loss.

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4.6 Property, plant and equipment (PPE)

All items of property, plant and equipment are initially recorded at cost. Cost of property, plant and equipment comprises purchase price, non-refundable taxes, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs in nature of repairs and maintenance are recognized in the Statement of Profit and Loss as and when incurred.

Depreciation on property, plant and equipment is provided on the written down value method, computed on the basis of useful lives prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financial statements as deemed cost at the transition date, viz., 1 April 2016.

4.7 Intangible assets

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss, if any. The Company amortises intangible assets with a finite useful life using the straight-line method over 5 years.

The Company has elected to continue with the carrying value for its intangible assets as recognised in its Indian GAAP financial statements as deemed cost at the transition date, viz., 1 April 2016.

4.8 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit (CGU). If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the Statement of Profit and Loss.

4.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit and Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on accrual basis as escalation in lease arrangements are for expected inflationary cost.

4.10 Inventories

Inventories comprise of stock-in-trade and packing materials.

Stock-in-trade are valued at lower of cost and net realisable value after providing for obsolescence, if any. Cost includes purchase price, import duties and other taxes excluding taxes those are subsequently recoverable from the concerned authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. Cost of inventories is determined using the weighted average cost method.

Packing material is carried at cost. Cost of packing material is determined using the first-in-first-out method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete the sales.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

4.11 Provisions and contingencies

Provisions
Provisions for legal claims, chargebacks and sales returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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 finance cost.

Contingencies
Contingent liability is disclosed for:

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

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Contingent assets are neither recognized nor disclosed, unless inflow of economic benefits is probable. However, when realization of income is virtually certain, related asset is recognized.

4.12 Employee benefits

Defined contribution plan

The Company's contribution to provident fund and employee state insurance schemes is charged to the Statement of Profit and Loss. The Company's contributions towards Provident Fund are deposited with the Regional Provident Fund Commissioner under a defined contribution plan. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plan

The Company has unfunded gratuity as defined benefit plan where the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The liability recognised in the balance sheet for defined benefit plans as the present value of the defined benefit obligation (DBO) at the reporting date. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability are included in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on an undiscounted and accrual basis during the period when the employee renders service of the benefit.

4.13 Financial instruments

Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments and equity instruments at fair value through profit or loss (FVTPL) and
- Equity instruments measured at FVTOCI

Debt instruments at amortised cost

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

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- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instruments at fair value through other comprehensive income (FVTOCI)
A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned while holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instruments and equity instruments at fair value through profit or loss (FVTPL)
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

Equity instruments measured at FVTOCI
All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVTOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

The Company's investment in equity instruments in subsidiary are accounted for at cost in accordance with Ind AS 27 Separate Financial Statements.

Cash and cash equivalents
Cash and cash equivalents represent cash and bank balances and fixed deposits with banks with original maturity of less than three months. Cash and cash equivalent are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Other receivables (dues from collection agencies)
Other receivables (dues from collection agencies) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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De-recognition
The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for following financial assets and credit risk exposures:

a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans and bank balance
b) Financial assets that are debt instruments and are measured as at FVTOCI
c) Other receivables (dues from collection agencies)

The Company follows 'simplified approach' for recognition of impairment loss allowance on dues from collection agencies. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. When estimating the cash flows, the Company is required to consider –

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

Financial Liabilities

Initial recognition and measurement
The Company's financial liabilities include trade and other payables, borrowings and other financial instruments. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

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

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

This category generally applies to interest-bearing loans and borrowings.

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. The amounts are unsecured and are usually paid as per agreed terms. 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.

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

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

4.14 Contributed equity

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.15 Earnings per equity share (EPES)

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

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

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4.16 Cash flow statement

The cash flow statement is prepared as per the Indirect Method. Cash Flow Statements present the cash flows by operating, financing and investing activities of the Company. Operating cash flows are arrived by adjusting profit or loss before tax for the effects of transactions of a non- cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

4.17 Cash dividend

The Company recognises a liability to make cash dividend to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Act, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

5. Standard not yet effective

Information on new standard, amendment and interpretation that are expected to be relevant to the financial statements is provided below:

Appendix B to Ind AS 21 - Foreign currency transactions and advance consideration:
On 28 March 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115- Revenue from Contract with Customers:
On 28 March 2018, MCA has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

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

The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The Company will adopt the standard on 1 April 2018 and accordingly comparatives for the year ended 31 March 2018 will not be retrospectively adjusted. Management does not expect adoption of the aforementioned requirement from 1 April 2018 will have a material effect on the financial statements of the Company.

6. Key accounting estimates and judgements

The preparation of the Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

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Leases
The Company has evaluated each lease agreement for its classification between finance lease and operating lease. The Company has reached its decisions on the basis of the principles laid down in Ind AS 17 "Leases" for the said classification.

Sales returns
The Company accounts for sales returns accrual by recording an allowance for sales returns concurrent with the recognition of revenue. This allowance is based on the Company's estimate of expected sales returns. The estimate of sales returns is determined primarily by the Company's past history, existing conditions as well as forward looking estimates at the end of each reporting period.

Deferred income taxes
The assessment of the probability of future taxable profit in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable profit and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdiction in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable profit indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full.

Useful lives of various assets
Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company.

Current income taxes
Significant judgments are involved in determining the provision for income taxes including judgment on whether tax positions are probable of being sustained in tax assessments. A tax assessment can involve complex issues, which can only be resolved over extended time periods. The recognition of taxes that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Accounting for defined benefit plans
In accounting for post-retirement benefits, several statistical and other factors that attempt to anticipate future events are used to calculate plan expenses and liabilities. These factors include expected return on plan assets, discount rate assumptions and rate of future compensation increases. To estimate these factors, actuarial consultants also use estimates such as withdrawal, turnover, and mortality rates which require significant judgment. The actuarial assumptions used by the Company may differ materially from actual results in future periods due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates, or longer or shorter participant life spans.

Impairment
An impairment loss is recognised for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount to determine the recoverable amount, management estimates expected future cash flows from each asset or cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Impairment of dues from collection agencies
The impairment provisions for dues from collection agencies are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Palred Online Technologies Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

7 Property, plant and equipment

	Leasehold improvements	Computers	Office equipments	Furniture and fixtures	Electrical installation	Total
Deemed cost as at 1 April 2016	**710,322**	**2,234,741**	**612,656**	**3,571,250**	**516,535**	**7,645,504**
Additions	594,962	1,542,366	272,069	1,618,327	-	4,027,724
As at 31 March 2017	**1,305,284**	**3,777,107**	**884,725**	**5,189,577**	**516,535**	**11,673,228**
Additions	-	1,688,252	545,288	-	186,618	2,420,158
Disposals	(761,409)	(2,628,548)	(670,742)	(4,493,616)	(516,534)	(9,070,849)
As at 31 March 2018	**543,875**	**2,836,811**	**759,271**	**695,961**	**186,619**	**5,022,537**
Accumulated depreciation						
Up to 31 March 2016	-	-	-	-	-	-
Charge for the year	585,402	1,817,621	333,536	1,160,747	133,713	4,031,019
Up to 31 March 2017	**585,402**	**1,817,621**	**333,536**	**1,160,747**	**133,713**	**4,031,019**
Charge for the year	335,790	1,629,638	389,059	819,257	92,202	3,265,946
Disposals	(607,168)	(1,672,763)	(393,862)	(1,737,942)	(208,036)	(4,619,771)
Up to 31 March 2018	**314,024**	**1,774,496**	**328,733**	**242,062**	**17,879**	**2,677,194**
Net carrying amount						
As at 31 March 2018	**229,851**	**1,062,315**	**430,538**	**453,899**	**168,740**	**2,345,343**
As at 31 March 2017	719,882	1,959,486	551,189	4,028,830	382,822	7,642,209
As at 1 April 2016	710,322	2,234,741	612,656	3,571,250	516,535	7,645,504

Deemed cost

	Leasehold improvements	Computers	Office equipments	Furniture and fixtures	Electrical installation	Total
As at 1 April 2016						
Gross block	998,633	4,037,509	790,067	4,182,337	585,026	10,593,572
Less: Accumulated depreciation	288,311	1,802,768	177,411	611,087	68,491	2,948,068
Deemed cost upon transition	**710,322**	**2,234,741**	**612,656**	**3,571,250**	**516,535**	**7,645,504**

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8 Intangible Assets

	Computer Software	Total
Deemed cost as at 1 April 2016	**2,564,335**	**2,564,335**
Additions	436,311	436,311
As at 31 March 2017	**3,000,646**	**3,000,646**
Additions	1,443,876	1,443,876
Disposals	(93,288)	(93,288)
At 31 March 2018	**4,351,234**	**4,351,234**
Accumulated Amortization		
Up to 31 March 2016	-	-
Charge for the year	934,094	934,094
Up to 31 March 2017	**934,094**	**934,094**
Charge for the year	800,556	800,556
Disposals	(32,964)	(32,964)
Up to 31 March 2018	**1,701,686**	**1,701,686**
Net carrying amount		
As at 31 March 2018	**2,649,548**	**2,649,548**
As at 31 March 2017	2,066,552	2,066,552
As at 1 April 2016	2,564,335	2,564,335

Deemed cost

	Internally developed software	Computer Software	Total
As at 1 April 2016			
Gross block	250,000	2,829,158	3,079,158
Less: Accumulated amortization	250,000	264,823	514,823
Deemed cost upon transition	-	**2,564,335**	**2,564,335**

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Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

9 Financial assets

(a) Non-current Investments

	31 March 2018	31 March 2017	1 April 2016
Investments in equity instruments, unquoted, fully paid up			
Investment in subsidiary, at cost			
(i) Palred Online Bilism Teknoljileri Ticaret Anomin Sirketi, principal place of business at Turkey			
-Number of shares	100,000	-	-
-% of holding	100.00%	-	-
-Amount	933,890	-	-
(ii) Palred Online Technologies Limited, principal place of business at Hong Kong			
-Number of shares	1,600,000	-	-
-Par value of each share	1HKD	-	-
-% of holding	100.00%	-	-
-Amount	13,360,000	-	-
(iii) Share application money, pending allotment	-	285,780	285,780
	14,293,890	**285,780**	**285,780**

Aggregate amount of quoted investments and market value thereof	-	-	-
Aggregate book value of unquoted investments	14,293,890	285,780	285,780
Aggregate amount of impairment of value in investments	-	-	-

(b) Current Investments

	31 March 2018	31 March 2017	1 April 2016
Investments in mutual funds, non-trade, unquoted			
Nil (31 March 2017: Nil; 1 April 2016: 2,299,842) units Kotak Equity Arbitrage Fund- Monthly Plan	-	-	25,046,210
10,019 (31 March 2017: Nil; 1 April 2016: 69,737) units Kotak Floater Short Term - Direct Plan-DD	10,135,552	-	70,547,773
Nil (31 March 2017: Nil; 1 April 2016: 502,173) units Birla Sunlife Cash Plus Liquid Fund	-	-	50,315,309
Nil (31 March 2017: Nil; 1 April 2016: 10,038,840) units IDFC Mutual Fund-Super saver Income Plan	-	-	100,941,543
	10,135,552	**-**	**246,850,835**

Aggregate amount of quoted investments and market value thereof	-	-	-
Aggregate book value of unquoted investments	10,135,552	-	246,850,835
Aggregate amount of impairment of value in investments	-	-	-

(c) Loans

	31 March 2018	31 March 2017	1 April 2016
Unsecured, considered good			
Security deposits			
– related party	1,200,000	1,200,000	1,200,000
– others	99,827	1,754,827	2,392,325
	1,299,827	**2,954,827**	**3,592,325**

Loan to Mrs. Supriya Reddy, Relative of Director is given towards rental deposit for head office building occupied by the Company.

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(d) Cash and cash equivalents

	31 March 2018	31 March 2017	1 April 2016
Balances with banks			
– in current accounts	1,920,572	936,697	15,523,530
Cash on hand	107,313	47,796	77,286
	2,027,885	**984,493**	**15,600,816**

(e) Bank balances other than cash and cash equivalents

	31 March 2018	31 March 2017	1 April 2016
Deposit with maturity more than 3 months but less than 12 months*	22,503,946	-	-
	22,503,946	**-**	**-**

*The Company has pledged these deposits to fulfil collateral requirements. Refer to note 14 for further details.

(f) Other financial assets

	31 March 2018	31 March 2017	1 April 2016
Interest accrued but not due on fixed deposits	294,021	-	-
Due from collection agencies	20,910,439	21,116,615	10,836,235
	21,204,460	**21,116,615**	**10,836,235**

10 Other assets

	31 March 2018	31 March 2017	1 April 2016
Unsecured, considered good			
Non-current			
Balances with government authorities	-	6,792,158	-
	-	**6,792,158**	**-**
Current			
Advances other than capital advances			
Prepaid expenses	828,548	1,252,082	1,589,870
Vendor and employee advances	10,555,996	4,470,182	4,165,152
Other advances	80,252	29,587	26,423
Balances with government authorities	8,624,291	-	-
	20,089,087	**5,751,851**	**5,781,445**
	20,089,087	**12,544,009**	**5,781,445**

11 Inventories

	31 March 2018	31 March 2017	1 April 2016
Stock-in-trade (at lower of cost and net realizable value)	55,023,725	40,015,027	56,088,481
Packing materials (at cost)	95,200	1,691,207	-
	55,118,925	**41,706,234**	**56,088,481**

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12 Equity share capital

	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Authorized share capital						
Equity shares of ₹10 each	41,000,000	410,000,000	41,000,000	410,000,000	43,000,000	430,000,000
7% Preference Shares of ₹10 each	2,000,000	20,000,000	2,000,000	20,000,000	-	-
Issued, subscribed and fully paid up shares						
Equity shares of ₹10 each	30,646,072	306,460,720	29,039,130	290,391,300	24,691,304	246,913,040
7% preference shares of ₹10 each*	-	-	-	-	-	-
Issued, subscribed and partly paid-up shares						
Equity shares of ₹10 each, ₹2.50 paid up	1,300,000	3,250,000	1,300,000	3,250,000	-	-
Equity shares of ₹10 each, ₹0.10 paid up	1,200,000	120,000	1,200,000	120,000	-	-
	33,146,072	**309,830,720**	**31,539,130**	**293,761,300**	**24,691,304**	**246,913,040**

**Classified as borrowings. Refer note 31 for details.*

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	31 March 2018		31 March 2017	
	Number	Amount	Number	Amount
Equity shares				
Balance at the beginning of the year	31,539,130	293,761,300	24,691,304	246,913,040
Add: Issued during the year	1,606,942	16,069,420	6,847,826	46,848,260
Balance at the end of the year	**33,146,072**	**309,830,720**	**31,539,130**	**293,761,300**
Preference shares				
Balance at the beginning of the year	2,000,000	20,000,000	-	-
Less : Issued/(redemption) during the year	(2,000,000)	(20,000,000)	2,000,000	20,000,000
Balance at the end of the year	**-**	**-**	**2,000,000**	**20,000,000**

(b) Terms/rights attached to shares

(i) Equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholder.

(ii) Preference Shares

The Company issued 2,000,000 7% Non-Convertible, Non-Cumulative Non-Participating Redeemable Preference Shares ("Preference shares") of ₹10 each fully paid-up at par value on 20 December 2016. The holders of preference shares were entitled for fixed dividends and do not have share in profits. In the event of winding up of the Company, the preference shares rank, as regards repayment of capital and arrears of dividend, whether declared or not, up to the commencement of the winding up, in priority to the equity shares. In accordance with the terms of the Investment Agreement, between the Company and Palred Technology Services Private Limited ('PTS'), the Preference share have been redeemed during the current year. Preference shares are classified under Borrowings in accordance with applicable provisions of Ind AS 32 Financial Instruments: Presentation.

(c) Shares held by holding company

	31 March 2018		31 March 2017		1 April 2016	
	Number	Amount	Number	Amount	Number	Amount
Palred Technologies Limited	25,546,072	255,460,720	23,939,130	239,391,300	19,591,304	195,913,040

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(d) Shareholders holding more than 5% equity shares in the Company

	31 March 2018		31 March 2017		1 April 2016	
	Number of shares	% of holding	Number of shares	% of holding	Number of shares	% of holding
Equity shares						
Palem Srikanth Reddy	5,099,990	16%	5,099,990	17%	5,099,990	21%
Palred Technologies Limited	25,546,072	82%	23,939,130	81%	19,591,304	79%
Preference shares						
PTS	-	-	2,000,000	100%	-	-

As per records of the Company's share transfer agent, and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(e) Sweat equity shares issued at a consideration other than cash

The Board of directors of the Company has issued 2,000,000 sweat equity shares in 2014-2015 at ₹10 per share for consideration other than cash to the Director of the Company.

(f) Share application money, pending allotment

The Company has received share application money of ₹Nil (31 March 2017: ₹Nil; 1 April 2016: ₹200,000,000) from Palred Technologies Limited, the holding company, out of which ₹Nil (31 March 2017: ₹Nil; 1 April 2016: ₹16,913,042) has been grouped under 'other current liabilities' representing the amount of share application money, pending allotment over and above the authorised share capital of the Company as at the balance sheet date. The share application money, pending allotment received to the extent covered by the authorised share capital of ₹Nil (31 March 2017: ₹Nil; 1 April 2016: ₹183,086,958) is disclosed as 'Share application money, pending allotment' under 'Other equity'. The Company has refunded the entire share application money on 21 April 2016.

13 Other equity

	31 March 2018	31 March 2017	1 April 2016
Share application money, pending allotment	-	-	183,086,958
Reserves and Surplus			
Securities premium reserve			
Balance at the beginning of the year	36,396,198	29,386,958	29,386,958
Add : Additions during the year	83,930,578	7,009,240	-
Add : Contribution received from Palred Technologies Limited (refer note 27)	22,430,396	-	-
Balance at the end of the year	**142,757,172**	**36,396,198**	**29,386,958**
Retained earnings			
Balance at the beginning of the year	(323,598,696)	(235,515,038)	
Less: Net loss for the year	(53,994,055)	(88,083,658)	
Balance at the end of the year	**(377,592,751)**	**(323,598,696)**	**(235,515,038)**
Other comprehensive income			
Actuarial gains			
Balance at the beginning of the year	232,151	-	
Add : Additions during the year	44,843	232,151	
Balance at the end of the year	**276,994**	**232,151**	**-**
	(234,558,585)	**(286,970,347)**	**(23,041,122)**

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Nature and purpose of reserves

(a) Securities premium reserve

Securities premium reserve is used to record the premium on the issue of the shares. The reserve is utilized in accordance with the provisions of the Act.

(b) Actuarial gain on remeasurement of defined benefit obligation

The reserve represents the remeasurement gains/(losses) arising from the actuarial valuation of the defined benefit obligations of the Company. The remeasurement gains/(losses) are recognized in other comprehensive income and accumulated under this reserve within equity. The amounts recognized under this reserve are not reclassified to statement of profit or loss.

14 Financial liabilities

(a) Current borrowings

	31 March 2018	31 March 2017	1 April 2016
Secured, loans repayable on demand from banks			
Bank overdraft	3,372,923	-	-
Others			
Preference Shares (refer note 12)	-	20,000,000	-
	3,372,923	**20,000,000**	**-**

(i) Loan repayable on demand from bank in the nature of bank overdraft is secured by way of fixed deposits and carry an interest of 1.5% over and above the pledged fixed deposits interest rates per annum.

(ii) **Net debt reconciliation**

	31 March 2018	31 March 2017
Current borrowings	3,372,923	20,000,000
	3,372,923	**20,000,000**

Movements in net debt

	Amounts
Net debt as at 1 April 2017	20,000,000
Cash flows	(16,627,077)
Interest expense	393,576
Interest paid	(393,576)
Net debt as at 31 March 2018	**3,372,923**

(b) Trade payables

	31 March 2018	31 March 2017	1 April 2016
Trade payables			
– related party	3,562,144	-	-
– others	29,757,853	31,819,910	22,761,888
	33,319,997	**31,819,910**	**22,761,888**

(i) Trade payables are non-interest bearing and are normally settled on 90-day terms.

(ii) There are no micro and small enterprises to whom the Company owes dues as at the reporting date. The micro and small enterprises have been identified by management on the basis of information available with the Company and have been relied upon by the auditors.

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(c) Other financial liabilities

	31 March 2018	31 March 2017	1 April 2016
Non-current			
Dealer deposits	909,400	-	-
	909,400	**-**	**-**
Current			
Payable to customer towards refund	12,938,125	10,182,069	-
Liabilities for expenses	20,642,278	15,076,843	48,565,973
Share application money, pending allotment (refer note 12)	-	-	16,913,042
Creditor for capital goods	252,107	162,750	265,440
Other payables	2,175,684	2,205,733	2,179,887
	36,008,194	**27,627,395**	**67,924,342**
	36,917,594	**27,627,395**	**67,924,342**

15 Employee benefit obligations

	31 March 2018		31 March 2017		1 April 2016	
	Non-current	Current	Non-current	Current	Non-current	Current
Gratuity	454,364	1,603	398,051	1,385	254,507	610
	454,364	**1,603**	**398,051**	**1,385**	**254,507**	**610**

(i) The Company provides for gratuity for employees in India as per the Payment of the Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionally for 15 days salary multiplied for the number of the years of service. The gratuity plan is unfunded.

	Present value of obligations
As at 1 April 2016	255,117
Interest cost	19,695
Current service cost	351,446
Total amount recognised in statement of profit and loss	**371,141**
Remeasurements	
Actuarial gain on obligation	(232,151)
Total amount recognised in OCI	**(232,151)**
Liability transferred in	5,329
As at 31 March 2017	**399,436**
Interest cost	28,320
Current service cost	259,846
Total amount recognised in statement of profit and loss	**288,166**
Remeasurements	
Actuarial gain on obligation	(44,843)
Total amount recognised in OCI	**(44,843)**
Liability transferred out	(186,792)
As at 31 March 2018	**455,967**

Assumptions :

	31 March 2018	31 March 2017	1 April 2016
Future Salary rise	7.00%	7.00%	8.00%
Discount rate	7.68%	7.09%	7.72%
Attrition rate			
For service 4 years and below	30.00%	30.00%	17.00%
For service 5 years and above	2.00%	2.00%	17.00%
Mortality table	India Assured Lives Mortality (2006-08)		

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The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long term plans of growth and industry standards.

Sensitivity analysis

	Changes in assumption	31 March 2018		31 March 2017	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
		Changes in liability			
Future Salary rise	1.00%	90,506	(73,662)	85,673	(68,796)
Discount rate	1.00%	(72,595)	90,807	(68,175)	86,493
Attrition rate	1.00%	(8,829)	7,899	(15,354)	15,664

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

(a) Asset volatility — The plan liabilities are calculated using a discount rate set with reference to current investment patterns in the economy; if plan assets underperform this yield, this will create a deficit.

(b) Changes in bond yields — A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy — The defined benefit obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The expected future cash flows in respect of gratuity as at 31 March 2018 were as follows:

	Amount
Expected Contribution	
During the year ended 31 March 2019	249,807
Expected future benefit payments	
31 March 2018	1,603
31 March 2019	3,848
31 March 2020	8,927
31 March 2021	11,181
31 March 2022	13,993
Thereafter	2,221,658

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The expected future cash flows in respect of gratuity as at 31 March 2017 were as follows:

	Amount
Expected Contribution	
During the year ended 31 March 2018	288,166
Expected future benefit payments	
31 March 2017	1,385
31 March 2018	1,081
31 March 2019	4,624
31 March 2020	7,967
31 March 2021	11,110
Thereafter	1,915,149

16 Other current liabilities

	31 March 2018	31 March 2017	1 April 2016
Balances due to government authorities	2,329,847	2,663,025	34,432,491
	2,329,847	**2,663,025**	**34,432,491**

17 Revenue from operations

	31 March 2018	31 March 2017
Sale of goods	481,667,670	297,656,607
Sale of services	30,413,091	113,016,212
	512,080,761	**410,672,819**

18 Other income

	31 March 2018	31 March 2017
Dividends income from mutual funds	1,048,337	1,493,595
Interest income on fixed deposits	853,961	-
Miscellaneous income	114,153	822,839
	2,016,451	**2,316,434**

19 Changes in inventories of stock-in-trade

	31 March 2018	31 March 2017
Inventory at the beginning of the year	40,015,027	56,088,481
Inventory at the end of the year	(55,023,725)	(40,015,027)
	(15,008,698)	**16,073,454**

20 Employee benefits expense

	31 March 2018	31 March 2017
Salaries and wages	42,650,883	34,062,413
Contribution to provident fund	2,399,885	2,006,683
Contribution to employee state insurance fund	996,448	742,224
Gratuity	288,166	371,141
Staff welfare expenses	2,101,921	1,683,383
	48,437,303	**38,865,844**

21 Finance costs

	31 March 2018	31 March 2017
Interest	393,576	-
	393,576	**-**

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22 Other expenses

	31 March 2018	31 March 2017
Rent	4,481,820	5,506,834
Rates and taxes	2,176,243	9,641,030
Repairs and maintenance - others	5,848,284	6,106,226
Website maintenance expenses	17,415,935	3,007,500
Freight charges	1,863,287	1,315,271
Office maintenance	5,099,508	2,779,673
Business promotion expenses	110,244,717	120,763,944
Postage and courier	51,331	226,566
Power and fuel	1,325,405	1,285,448
Travelling and conveyance	2,857,307	2,426,945
Delivery charges	136,319,723	112,530,972
Legal and professional expenses	5,851,481	3,173,428
Due from collection agencies written off	3,033,069	1,518,815
Hosting expenses	7,394,856	10,471,631
Refunds	180,247	-
Payments to auditor		
-Statutory audit fees	1,150,000	1,035,285
-Reimbursement of expenses	-	23,840
Packing material	8,430,831	7,589,771
Foreign exchange difference, net	-	46,970
Bank charges	481,700	99,513
Sales commission	3,135,821	-
Miscellaneous expenses	3,138,589	1,198,704
	320,480,154	**290,748,366**

23 Deferred taxes

The Company has deferred tax assets primarily on account of unabsorbed business loss, unabsorbed tax depreciation and other items, which have not been recognized on the grounds of prudence. Consequently, there is no deferred tax asset recorded in the financial statements as at reporting periods presented.

24 Segment reporting

The Company's business model and considering the internal financial reporting has identified "Trading in computers, mobiles, electronic products, fashion accessories and providing related services" as the only reportable segment. Further, all operations of the Company are based only in India with retail consumer base and hence, no separate financial disclosures are applicable in accordance with the requirements of Ind AS 108 - Operating Segments.

25 Subsequent events

(i) Pursuant to the approval of members in the Extra Ordinary General Meeting dated 27 April 2018, the Company has allotted 640,000 equity shares of ₹10 each at a premium of ₹52.50 per share.

(ii) Subsequent to the year ended 31 March 2018, Palred Technology Shenzhen Company Ltd, a subsidiary of the Company, was incorporated in China.

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26 Related party disclosures

(a) Names of the related parties and nature of relationship

Names of related parties	Place of incorporation	Nature of relationship
Palred Technologies Limited	India	Holding company
Palred Technology Services Private Limited	India	Fellow subsidiary
Palred Online Bilism Teknoljileri Ticaret Anomin Sirketi	Turkey	Subsidiary
Palred Online Technologies Limited	Hong Kong	Subsidiary
Mr. Palem Srikanth Reddy		Key management personnel (KMP)
Mr. Ameen Khwaja		KMP
Ms. Supriya Reddy		Relative of KMP

(b) Transactions with related parties

	31 March 2018	31 March 2017
Palred Technologies Limited		
-Issue of equity shares	100,000,000	50,000,000
Palred Technology Services Private Limited		
-Website maintenance expenses	17,415,935	3,007,500
-Issue/(redemption) of preference shares	(20,000,000)	20,000,000
-Sale of Business	30,000,000	-
Palred Online Bilism Teknoljileri Ticaret Anomin Sirketi		
-Investment in subsidiary	648,110	-
Palred Online Technologies Limited		
-Investment in subsidiary	13,360,000	-
-Expenses incurred on behalf of subsidiary	451,834	-
Mr. Ameen Khwaja		
-Remuneration*	1,800,000	1,800,000
-Issue of equity shares	-	2,875,000
-Reimbursement of expenses	730,460	-
Ms. Supriya Reddy		
-Office rent	1,126,500	1,953,000

*does not include post employment benefits and other long term employee benefits expenditure which are computed for Company as a whole.

(c) Balances receivable

	31 March 2018	31 March 2017	1 April 2016
Ms. Supriya Reddy	1,200,000	1,200,000	1,200,000
Mr. Ameen Khwaja	126,648	-	-
Palred Technology Services Private Limited	3,562,144	-	-

27 Sale of Business functions to Palred Technology Services Private Limited

Effective 1 January 2018, the Company has sold the business functions of Order fulfilment, Customer Service and IT Helpdesk to Palred Technology Services Private Limited, a fellow subsidiary of the Company, in payment of full purchase consideration of ₹30,000,000. Consequently, the Company has applied the book value accounting in accordance with the provisions of Ind AS, recognising the difference between the book value of the net identifiable assets transferred and the consideration received as an equity transaction with the Palred Technologies Limited.

	Amounts
Consideration received (A)	**30,000,000**
Less : Identifiable assets transferred	
Property, plant and equipment	4,451,078
Intangible assets	60,324
Inventories	1,823,314
Loans	928,000
Prepaid expenses	306,888
Total identifiable assets transferred (B)	**7,569,604**
Contribution received from Palred Technologies Limited (A-B)	**22,430,396**

28 Fair value measurements

(a) Financial instruments by category

	31 March 2018		31 March 2017		1 April 2016	
	FVTPL	Amortised cost	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial assets						
Current investments	10,135,552	-	-	-	246,850,835	-
Cash and cash equivalents	-	2,027,885	-	984,493	-	15,600,816
Bank balances other than cash and cash equivalents	-	22,503,946	-	-	-	-
Loans	-	1,299,827	-	2,954,827	-	3,592,325
Other financial assets	-	21,204,460	-	21,116,615	-	10,836,235
Total financial assets	**10,135,552**	**47,036,118**	**-**	**25,055,935**	**246,850,835**	**30,029,376**
Financial liabilities						
Borrowings	-	3,372,923	-	20,000,000	-	-
Trade payables	-	33,319,997	-	31,819,910	-	22,761,888
Other financial liabilities	-	36,917,594	-	27,627,395	-	67,924,342
Total financial liabilities	**-**	**73,610,514**	**-**	**79,447,305**	**-**	**90,686,230**

(b) Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments:

	31 March 2018		31 March 2017		1 April 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Current investments	10,135,552	10,135,552	-	-	246,850,835	246,850,835
Cash and cash equivalents	2,027,885	2,027,885	984,493	984,493	15,600,816	15,600,816
Bank balances other than cash and cash equivalents	22,503,946	22,503,946	-	-	-	-
Loans	1,299,827	1,299,827	2,954,827	2,954,827	3,592,325	3,592,325
Other financial assets	21,204,460	21,204,460	21,116,615	21,116,615	10,836,235	10,836,235
Total financial assets	**57,171,670**	**57,171,670**	**25,055,935**	**25,055,935**	**276,880,211**	**276,880,211**

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	31 March 2018		31 March 2017		1 April 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Borrowings	3,372,923	3,372,923	20,000,000	20,000,000	-	-
Trade payables	33,319,997	33,319,997	31,819,910	31,819,910	22,761,888	22,761,888
Other financial liabilities	36,917,594	36,917,594	27,627,395	27,627,395	67,924,342	67,924,342
Total financial liabilities	**73,610,514**	**73,610,514**	**79,447,305**	**79,447,305**	**90,686,230**	**90,686,230**

The carrying amounts of dues from collection agencies, trade payables, investments, cash and cash equivalents and other bank balances are considered to be the same as their fair values, due to their short-term nature.

(c) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

All of the resulting fair value estimates are included in level 2. For unlisted equity securities, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(d) Fair value hierarchy

	31 March 2018		31 March 2017		1 April 2016	
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3
Financial instruments measured at fair value, recurring fair value measurements						
Investments	10,135,552	-	-	-	246,850,835	-
	10,135,552	**-**	**-**	**-**	**246,850,835**	**-**

There are no transfers between levels during the year. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

29 Financial risk management

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the risk assessment and management policies and processes.

A. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from collection agencies. Credit risk is managed through credit approvals and continuously monitoring the creditworthiness of collection agencies to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for credit losses and impairment that represents its estimate of expected losses in respect of dues from collection agencies.

Financial assets that are neither past due nor impaired

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in liquid mutual fund units and certificates of deposit which are funds deposited at a bank for a specified time period. None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) were past due or impaired as at the reporting periods.

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Dues from collection agencies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and region in which the customer operates, also has an influence on credit risk assessment.

On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for dues from collection agencies. The provision matrix takes into account available external and internal credit risk factors such as default risk of industry, credit ratings from credit rating agencies and historical experience for customers. During the period, the Company has written off ₹3,033,069 (31 March 2017: ₹1,518,815) of dues from collection agencies.

B. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The Company's principle sources of liquidity are cash and cash equivalents, current investments and the cash flow that is generated from operations. The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived. The Company closely monitors its liquidity position and maintains adequate source of funding. The Company had following working capital at the end of the reporting years :

Particulars	31 March 2018	31 March 2017	1 April 2016
Current assets	131,079,855	69,559,193	335,157,812
Current liabilities	75,032,564	82,111,715	125,119,331
Working capital	**56,047,291**	**(12,552,522)**	**210,038,481**

All the contractual maturities of significant financial liabilities are payable on demand or are expected to be paid within 1 year from the respective reporting years.

C. Market risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments and debt. The Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments in deposits is with banks and therefore do not expose the Company to significant interest rates risk. The Company's rate borrowing is subject to interest rate risk. However, the same is fixed at 1.5%+interest rates on investments in deposits. Accordingly, no interest rate risk is perceived.

Particulars	31 March 2018	31 March 2017	1 April 2016
Fixed rate instruments			
Financial assets	3,372,923	20,000,000	-
Financial liabilities	22,503,946	-	-

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of computers, mobiles, electronic products, fashion accessories and related services. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's purchases generally fluctuate in line with commodity cycles and are are generally more volatile depending upon the market conditions. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. For the reporting periods presented, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

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Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

30 Capital management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. There have been no material breaches in the financial covenants of any borrowing in the current period.

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents and liquid investments) divided by Total 'equity' (as shown in the balance sheet).

The gearing ratios were as follows:

Particulars	31 March 2017
Borrowings	20,000,000
Less: Cash and cash equivalents	(984,493)
Net debt	**19,015,507**
Equity share capital	293,761,300
Other equity	(286,970,347)
Total equity	**6,790,953**
Equity and net debt	25,806,460
Gearing ratio	**74%**

The Gearing Ratio as is Nil at 31 March 2018. There have been no material breaches in the financial covenants of any borrowing in the current period.

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31 First-time adoption ('FTA') of Ind AS - Transition to Ind AS

These financial statements, for the year ended 31 March 2018, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2017, the Company prepared its financial statements in accordance with Indian GAAP, including accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 (previous GAAP or Indian GAAP). The Company has prepared financial statements which comply with Ind AS applicable for periods ending on or after 31 March 2018, together with the comparative period data as at and for the year ended 31 March 2017 and in the preparation of an opening Ind AS balance sheet at 1 April 2016 (the Company's date of transition), as described in the summary of significant accounting policies. In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

(a) Ind AS optional exemptions

(i) Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

(b) Ind AS mandatory exceptions

(i) Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1 April 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

(ii) De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

(iii) Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

B. Reconciliations between previous GAAP and Ind AS

(a) Reconciliation of total equity as at 31 March 2017 and 1 April 2016

	31 March 2017	1 April 2016
Total equity (shareholder's funds) as per Previous GAAP	**26,790,953**	**223,871,918**
Adjustments:		
Classification of preference shares as borrowings	(20,000,000)	-
Total adjustments	**(20,000,000)**	**-**
Total equity as per Ind AS	**6,790,953**	**223,871,918**

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Palred Online Technologies Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

(b) Reconciliation of total comprehensive income for the year ended 31 March 2016

	31 March 2017
Profit after tax as per previous GAAP	(87,851,507)
Adjustments:	
Remeasurements of post-employment benefit obligations	(232,151)
Total adjustments	(232,151)
Profit after tax as per Ind AS	(88,083,658)
Other comprehensive income	232,151
Total comprehensive income as per Ind AS	(87,851,507)

C. Notes to first-time adoption:

1 Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income instead of profit or loss. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the loss for the year ended 31 March 2017 increased by ₹232,151. There is no impact on the total equity as at 31 March 2017.

2 Preference Shares

The Company issued 2,000,000 7% Non-Convertible, Non-Cumulative Non-Participating Redeemable Preference Shares ("Preference shares") of ₹10 each fully paid-up at par value on 20 December 2016 which were recorded at cost under previous GAAP as equity. Under Ind AS, the preference shares are treated as compound financial instruments and are classified as liability and equity depending upon the nature of the instrument issued. Consequent to this change, the financial liability as on 31 March 2017 has increased by ₹20,000,000 with corresponding deccrease in the equity as on 31 March 2017.

3 Retained earnings

Retained earnings as at 1 April 2016 has been adjusted consequent to the above Ind AS transition adjustments.

4 Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes remeasurements of defined benefit plans. The concept of other comprehensive income did not exist under previous GAAP.

5 Statement of cash flows

The transition from Indian GAAP to Ind AS had no material impact on the statement of cash flows.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**

Chartered Accountants

Nikhil Vaid

per **Nikhil Vaid**

Partner

Walker Chandiok & Co. LLP * Hyderabad *

Date: 30 May 2018

Place : Hyderabad

For and on behalf of Board of Directors of

Palred Online Technologies Private Limited

Ameen Khwaja

Managing Director

DIN : 00800284

S.Vijaya Saradhi

Director

DIN : 03089889

Harish Naidu Pinekalapati

Director

DIN : 07010812

Date: 30 May 2018

Place : Hyderabad

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