

Palred Online Technologies Private Limited

Financial Statements and Independent Auditor's Report

31 March 2017

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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 2017, the Statement of Profit and Loss, and the Cash Flow Statement 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 financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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 the 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, of the state of affairs of the Company as at 31 March 2017, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. 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.
10. 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;

- c. in our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- d. 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 2017 from being appointed as a director in terms of Section 164(2) of the Act;
- e. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 26 May 2017 as per Annexure B expresses unmodified opinion; and
- f. 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 Company, as detailed in Note 25 to the financial statements, has made requisite disclosures in these financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on the audit procedures performed and taking into consideration the information and explanations given to us, in our opinion, these are in accordance with the books of account maintained by the company.

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

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place : Hyderabad
Date : 26 May 2017

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 2017

Annexure A

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 'fixed assets'). 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 not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (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. 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 a significant delay for service tax and equalisation levy in a 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.
 - (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.

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 2017

- (viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.
- (ix) 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) The Company did not obtain the approval of the below related parties transactions from the Audit Committee under Section 177 of the Act and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

Nature of the related party relationship and the underlying transaction	Amount Involved (₹)
Fellow Subsidiary -website maintenance expenses	3,000,750
Relative of Director -rent expenses	1,953,000

In our opinion, the Company has not entered into any transaction with the related parties that requires compliance with Section 188 of the Act.

- (xiv) During the year, the Company has made preferential allotment / 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. 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.

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 2017

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

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

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place : Hyderabad
Date : 26 May 2017

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 2017

Annexure B

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 of and for the year ended 31 March 2017, 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.

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 2017

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 2017, 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.

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

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 26 May 2017

Palred Online Technologies Private Limited**Balance Sheet as at 31 March 2017**

(All amounts in ₹, unless otherwise stated)

	Notes	As at 31 March	
		2017	2016
I. Equity and liabilities			
(1) Shareholders' funds			
(a) Share capital	3	313,761,300	246,913,040
(b) Reserves and surplus	4	(286,970,347)	(206,128,080)
Total Shareholders' funds		26,790,953	40,784,960
(2) Share application money, pending allotment	3(f)	-	183,086,958
(3) Non-current liabilities			
(a) Long-term provisions	5	398,051	254,507
Total non-current liabilities		398,051	254,507
(4) Current liabilities			
(a) Trade payables			
- Total outstanding dues to micro and small enterprises	6	-	-
- Total outstanding dues of creditors other than micro and small enterprises		31,819,910	22,761,888
(b) Other current liabilities	7	30,290,420	102,356,833
(c) Short-term provisions	8	1,385	610
Total current liabilities		62,111,715	125,119,331
	Total	89,300,719	349,245,756
II. Assets			
(1) Non-current assets			
(a) Fixed assets			
- Tangible assets	9	7,642,209	7,645,504
- Intangible assets	10	2,066,552	2,564,335
		9,708,761	10,209,839
(b) Long-term loans and advances	11	10,032,765	3,592,325
Total non-current assets		19,741,526	13,802,164
(2) Current assets			
(a) Inventories	12	41,706,234	56,088,481
(b) Current investments	13	-	246,850,835
(c) Cash and cash equivalents	14	984,493	15,600,816
(d) Short-term loans and advances	15	5,751,851	6,067,225
(e) Other current assets	16	21,116,615	10,836,235
Total current assets		69,559,193	335,443,592
	Total	89,300,719	349,245,756

The accompanying notes are integral part of these financial statements.

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

For **Walker Chandiook & Co LLP**

Chartered Accountants

per **Sanjay Kumar Jain**

Partner

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 : 26 May 2017

Place: Hyderabad

Date : 26 May 2017

Palred Online Technologies Private Limited
Statement of Profit and Loss for the year ended 31 March 2017

(All amounts in ₹, unless otherwise stated)

	Notes	For the year ended 31 March	
		2017	2016
I Revenue from operations	17	410,672,819	380,993,077
II Other income	18	2,316,434	6,983,604
III Total revenue		412,989,253	387,976,681
IV Expenses			
Purchases of stock-in-trade		150,420,134	152,705,513
Changes in inventories of stock-in-trade	19	16,073,454	(9,468,755)
Employee benefits expense	20	38,633,693	26,605,069
Finance costs	21	-	3,787,110
Depreciation and amortization expense	9, 10	4,965,113	2,744,965
Other expenses	22	290,748,366	408,104,989
Total expenses		500,840,760	584,478,891
V Loss before tax		(87,851,507)	(196,502,210)
VI Tax expense			
Current tax		-	-
Deferred tax benefit		-	(113,993)
VII Loss for the year		(87,851,507)	(196,388,217)
Earnings per equity share [EPES]			
Basic and diluted EPES		(3.08)	(9.06)
Weighted average number of equity shares considered in calculating basic and diluted EPES		28,495,874	21,677,999
Par value of equity shares		10	10

The accompanying notes are integral part of these financial statements.

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

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

per **Sanjay Kumar Jain**
Partner

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 : 26 May 2017

Place: Hyderabad
Date : 26 May 2017

Palred Online Technologies Private Limited
Cash Flow Statement for the year ended 31 March 2017

(All amounts in ₹, unless otherwise stated)

	For the year ended 31 March	
	2017	2016
Cash flows from operating activities		
Loss before tax	(87,851,507)	(196,502,210)
Adjustments:		
- Dividend income from mutual funds	(1,493,595)	(6,944,443)
- Finance cost	-	3,787,110
- Due from collection agencies written off	1,518,815	-
- Depreciation and amortization expense	4,965,113	2,744,965
Operating loss before working capital changes	(82,861,174)	(196,914,578)
Movements in working capital:		
- Increase in other current assets	(11,799,195)	(5,057,634)
- Decrease/(increase) in short-term loans and advances	315,374	(1,899,090)
- Increase in long-term loans and advances	(6,440,440)	(1,749,825)
- (Decrease)/increase in other current liabilities	(55,050,681)	71,659,302
- Decrease/(increase) in inventories	14,382,247	(9,468,755)
- Increase in long-term provisions	143,544	180,921
- Increase in short-term provisions	775	379
- Increase in trade payables	9,058,022	13,534,426
Cash used in operations	(132,251,528)	(129,714,854)
Income taxes paid	-	-
Net cash used in operating activities (A)	(132,251,528)	(129,714,854)
Cash flows from investing activities		
- Purchase of fixed assets	(4,566,725)	(9,149,628)
- Net proceeds from /(investments in) mutual funds	246,850,835	(159,309,660)
- Dividend income from mutual funds	1,493,595	6,944,443
Net cash generated from/(used in) investing activities (B)	243,777,705	(161,514,845)
Cash flows from financing activities		
- Proceeds from issuance of equity shares	53,857,500	100,000,000
- Proceeds from issuance of preference shares	20,000,000	-
- (Refund of)/proceeds from share application money, pending allotment	(200,000,000)	200,000,000
Net cash (used in)/generated from financing activities (C)	(126,142,500)	300,000,000
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(14,616,323)	8,770,301
Cash and cash equivalents at the beginning of the year	15,600,816	6,830,515
Cash and cash equivalents at the end of the year [refer note 14]	984,493	15,600,816

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

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

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date : 26 May 2017

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 : 26 May 2017

Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

1. Company 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 online in mobile and computer accessories and other electronic products.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on an accrual basis in accordance with the generally accepted accounting principles in India (“Indian GAAP”) and comply in all material respects with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (‘the Act’), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), and the relevant provisions of the Act, pronouncements of The Institute of Chartered Accountants of India (‘ICAI’). The accounting policies applied by the Company are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of business, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure relating to contingent liabilities at the reporting date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Examples of such estimates include provision for doubtful receivables from collection agencies, estimated useful life of tangible and intangible assets, future obligation under employee benefit plans, income taxes, recognition of deferred tax assets, determination of realisability of inventory and classification of assets and liabilities into current and non-current.

Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Tangible assets

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure on tangible assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

Gains or losses arising from de-recognition of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is de-recognized.

(d) Depreciation on tangible assets

Depreciation is provided using the written down value method based on useful lives of the assets as estimated by the management which coincides with the useful lives prescribed under Schedule II to the Act, except for leasehold improvements which are amortized over the lower of the lease period and the useful lives prescribed under the Schedule II to the Act.

Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost of acquisition, less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding the capitalized development cost, are not capitalized and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is being incurred.

Intangible assets are amortized on a straight-line method based on the estimated useful life of assets i.e. five years.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(g) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments, in respect of cancellable operating leases are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value, if any is made to recognize a decline other than temporary in the value of the investments.

(i) Inventories

Inventories comprise of trading goods and packing materials.

Trading goods are valued at the lower of cost and net realizable value. Cost includes purchase price 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 trading goods is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business reduced by the estimated costs to affect the sale.

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

Palred Online Technologies Private Limited
Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

(j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods

Revenue from sale of goods is recognized when the risks and rewards of ownership are transferred to customers, which generally coincides with delivery to the customers and is net of trade discount, sales taxes and value added taxes (VAT), rebates and returns.

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.

Dividend

Income from dividend is recognized when the Company's right to receive payment is established by the reporting date.

(k) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transactions.

Conversion

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

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(l) Retirement and other employee benefits

Defined contribution plans

A retirement benefit in the form of provident fund scheme is a defined contribution and the contribution is charged to the Statement of Profit and Loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Defined benefit plans

Gratuity is a post-employment benefit and is a defined benefit obligation. The liability recognized in the Balance Sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Independent actuary using the projected unit credit method calculated the defined benefit obligations annually.

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

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Statement of Profit and Loss in the year in which such gains or losses arises.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty, supported by convincing evidence, that all such deferred tax assets can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets of earlier periods and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be, that future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(o) Earnings per equity share

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

For the purpose of calculating diluted earnings per equity share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(p) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

3. Share capital

	As at 31 March	
	2017	2016
Authorized share capital		
41,000,000 (31 March 2016: 43,000,000) equity shares of ₹10 each	410,000,000	430,000,000
2,000,000 (31 March 2016: Nil) representing 7% Non-convertible non-cumulative redeemable preference shares of ₹10 each	20,000,000	-
Issued, subscribed and fully paid-up shares		
29,039,130 (31 March 2016: 24,691,304) equity shares of ₹10 each	290,391,300	246,913,040
2,000,000 (31 March 2016: Nil) representing 7% Non-convertible non-cumulative non-participating redeemable preference shares of ₹10 each ("Preference shares")	20,000,000	-
Issued, subscribed and partly paid-up shares		
1,300,000 (31 March 2016: Nil) equity shares of ₹10 each, ₹2.50 paid up	3,250,000	-
1,200,000 (31 March 2016: Nil) equity shares of ₹10 each, ₹0.10 paid up	120,000	-
Total issued, subscribed and paid-up share capital	313,761,300	246,913,040

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

	31 March 2017		31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
At the beginning of the year	24,691,304	246,913,040	13,995,652	139,956,520
Add: Issue of shares	6,847,826	46,848,260	10,695,652	106,956,520
Balance at the end of the year	31,539,130	293,761,300	24,691,304	246,913,040
Preference shares				
At the beginning of the year	-	-	-	-
Add: Issue of shares	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 shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing general meeting, except in case of interim dividend.

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.

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

(c) Details of equity shares held by the Holding Company in the Company

	31 March 2017		31 March 2016	
	Number of shares	Amount	Number of shares	Amount
Palred Technologies Limited	23,939,130	239,391,300	19,591,304	195,913,040

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

	31 March 2017		31 March 2016	
	Number of shares	% of holding	Number of shares	% of holding
Equity shares				
Palem Srikanth Reddy	5,099,990	17.36%	5,099,990	20.66%
Palred Technologies Limited	23,939,130	81.49%	19,591,304	79.34%
Preference shares				
Palred Technology Services Private Limited	2,000,000	100.00%	-	-

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 2015 at ₹10 per share for consideration other than cash to the Directors of the Company.

(f) Share application money, pending allotment

The Company has received share application money of ₹Nil (31 March 2016: ₹200,000,000) from Palred Technologies Limited, the holding company, out of which ₹Nil (31 March 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 2016: ₹183,086,958) is disclosed as 'Share application money, pending allotment'. The Company has refunded the entire share application money on 21 April 2016.

4. Reserves and Surplus

	As at 31 March	
	2017	2016
Securities premium account		
Balance at the beginning of the year	29,386,958	16,343,480
Add: Additions during the year	7,009,240	13,043,478
Balance at the end of the year	36,396,198	29,386,958
Deficit in Statement of Profit and Loss		
Balance at the beginning of the year	(235,515,038)	(39,126,821)
Add: Net loss during the year	(87,851,507)	(196,388,217)
Balance at the end of the year	(323,366,545)	(235,515,038)
Total reserves and surplus	(286,970,347)	(206,128,080)

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

5. Long-term provisions

	As at 31 March	
	2017	2016
Provision for gratuity (refer note 27)	398,051	254,507
	398,051	254,507

6. Trade payables

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.

7. Other current liabilities

	As at 31 March	
	2017	2016
Statutory liabilities	2,663,025	34,432,491
Refund payable	10,182,069	-
Liabilities for expenses	15,076,843	48,565,973
Share application money, pending allotment [refer note 3(f)]	-	16,913,042
Creditor for capital goods	162,750	265,440
Other payables	2,205,733	2,179,887
	30,290,420	102,356,833

8. Short-term provisions

	As at 31 March	
	2017	2016
Provision for gratuity (refer note 27)	1,385	610
	1,385	610

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

9. Tangible assets

	Leasehold improvements	Computers	Office equipments	Furniture and fixtures	Electrical installation	Total
Gross block						
As at 1 April 2015	-	1,374,574	61,726	1,332,675	-	2,768,975
Additions during the year	998,633	2,662,935	728,341	2,849,662	585,026	7,824,597
As at 31 March 2016	998,633	4,037,509	790,067	4,182,337	585,026	10,593,572
Additions during the year	594,962	1,542,366	272,069	1,618,327	-	4,027,724
As at 31 March 2017	1,593,595	5,579,875	1,062,136	5,800,664	585,026	14,621,296
Accumulated depreciation						
Up to 31 March 2015	-	281,603	12,368	94,518	-	388,489
Charge for the year	288,311	1,521,165	165,043	516,569	68,491	2,559,579
Up to 31 March 2016	288,311	1,802,768	177,411	611,087	68,491	2,948,068
Charge for the year	585,402	1,817,621	333,536	1,160,747	133,713	4,031,019
Up to 31 March 2017	873,713	3,620,389	510,947	1,771,834	202,204	6,979,087
Net block						
As at 31 March 2017	719,882	1,959,486	551,189	4,028,830	382,822	7,642,209
As at 31 March 2016	710,322	2,234,741	612,656	3,571,250	516,535	7,645,504

10. Intangible assets

	Internally developed software	Software	Total
Gross block			
As at 1 April 2015	250,000	1,238,687	1,488,687
Additions during the year	-	1,590,471	1,590,471
As at 31 March 2016	250,000	2,829,158	3,079,158
Additions during the year	-	436,311	436,311
As at 31 March 2017	250,000	3,265,469	3,515,469
Accumulated amortization			
Up to 31 March 2015	250,000	79,437	329,437
Charge for the year	-	185,386	185,386
Up to 31 March 2016	250,000	264,823	514,823
Charge for the year	-	934,094	934,094
Up to 31 March 2017	250,000	1,198,917	1,448,917
Net block			
As at 31 March 2017	-	2,066,552	2,066,552
As at 31 March 2016	-	2,564,335	2,564,335

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

11. Long-term loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Security deposits	2,954,827	3,592,325
Balances with government authorities	6,792,158	-
Other advances	285,780	-
	10,032,765	3,592,325

12. Inventories

	As at 31 March	
	2017	2016
Stock-in-trade (at lower of cost and net realizable value)	40,015,027	56,088,481
Packing materials (at cost)	1,691,207	-
	41,706,234	56,088,481

13. Current Investments

	As at 31 March	
	2017	2016
Investments in mutual funds, non-trade, quoted (Market value: ₹Nil)		
Nil (31 March 2016: 2,369,580) units Kotak Equity Arbitrage Fund- Monthly Plan	-	95,593,983
Nil (31 March 2016: 502,173) units Birla Sunlife Cash Plus Liquid Fund	-	50,315,309
Nil (31 March 2016: 10,038,840) units IDFC Mutual Fund- Super saver Income Plan	-	100,941,543
Aggregate amount of quoted investments	-	246,850,835
Total current investments	-	246,850,835

14. Cash and cash equivalents

	As at 31 March	
	2017	2016
Cash on hand	47,796	77,286
Balances with banks in current accounts	936,697	15,523,530
	984,493	15,600,816

15. Short-term loans and advances

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Prepaid expenses	1,252,082	1,589,870
Vendor and employee advances	4,470,182	4,165,152
Other advances	29,587	312,203
	5,751,851	6,067,225

16. Other current assets

	As at 31 March	
	2017	2016
(Unsecured, considered good)		
Due from collection agencies	21,116,615	10,836,235
	21,116,615	10,836,235

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

17. Revenue from operations

	For the year ended 31 March	
	2017	2016
Sale of stock-in-trade	297,656,607	380,993,077
Sale of services	113,016,212	-
	410,672,819	380,993,077

18. Other income

	For the year ended 31 March	
	2017	2016
Dividends income from mutual funds	1,493,595	6,944,443
Miscellaneous income	822,839	39,161
	2,316,434	6,983,604

19. Changes in inventories of stock-in-trade

	For the year ended 31 March	
	2017	2016
Inventory at the beginning of the year	56,088,481	46,619,726
Less: Inventory at the end of the year	(40,015,027)	(56,088,481)
Decrease/(increase) in inventories of stock-in-trade	16,073,454	(9,468,755)

Details of traded goods purchased:

	For the year ended 31 March	
	2017	2016
Smart watches	41,669,191	43,351,592
Headsets/Headphones	14,041,792	32,701,650
Powerbanks	9,471,565	34,633,692
Mobile accessories	27,246,566	29,225,782
Fashion accessories	50,916,385	-
Others	7,074,636	12,792,797
	150,420,134	152,705,513

20. Employee benefit expense

	For the year ended 31 March	
	2017	2016
Salaries and wages	34,062,413	23,730,926
Contribution to provident and other funds (refer note (a))	2,748,907	1,812,484
Gratuity (refer note 27)	138,990	181,300
Staff welfare expenses	1,683,383	880,359
	38,633,693	26,605,069

(a) Disclosure related to defined contribution plan

	For the year ended 31 March	
	2017	2016
Recognized as expense in the Statement of Profit and Loss		
Provident fund contribution	2,006,683	1,342,310
Employee state insurance contribution	742,224	470,174
	2,748,907	1,812,484

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

21. Finance Costs

	For the year ended 31 March	
	2017	2016
Interest on delayed payment of service tax	-	3,787,110
	-	3,787,110

22. Other expenses

	For the year ended 31 March	
	2017	2016
Rent	5,506,834	5,028,240
Rates and taxes	9,641,030	13,221,073
Repairs and maintenance - others	6,106,226	3,207,246
Website maintenance expenses	3,007,500	3,424,300
Freight charges	1,315,271	1,314,571
Office maintenance	2,779,673	2,082,904
Business promotion expenses	120,763,944	248,391,291
Postage and courier	226,566	81,750
Power and fuel	1,285,448	1,500,513
Travelling and conveyance	2,426,945	2,057,442
Delivery charges	112,530,972	99,055,462
Legal and professional expenses	3,173,428	2,192,211
Due from collection agencies written off	1,518,815	-
Hosting expenses	10,471,631	14,148,503
Refunds	-	2,931,443
Payments to auditor		
-Statutory audit fees	1,035,285	1,030,500
-Reimbursement of expenses	23,840	28,625
Packing material	7,589,771	6,630,506
Foreign exchange difference, net	46,970	554,409
Bank charges	99,513	203,213
Miscellaneous expenses	1,198,704	1,020,787
	290,748,366	408,104,989

23. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March	
	2017	2016
Advertisement expenses	92,982,582	167,175,193
Hosting expenses	9,678,093	12,174,446
Other expenses	1,321,993	1,213,214
	103,982,669	180,562,853

24. Value of imports calculated on CIF basis

	For the year ended 31 March	
	2017	2016
Stock-in-trade	47,541,351	73,715,521
	47,541,351	73,715,521

Palred Online Technologies Private Limited**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹, unless otherwise stated)

25. Additional disclosures pursuant to Clause X of Schedule III of the Companies Act, 2013

Details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016 are as follows:

Particulars	Specified Bank Notes	Other denomination notes	Total
Closing cash in hand as on 8 November 2016	34,500	53,001	87,501
Add : Permitted receipts	-	254,198	254,198
Less : Permitted payments	-	(227,986)	(227,986)
Less : Amounts deposited in Banks	(34,500)	-	(34,500)
Closing cash in hand as on 30 December 2016	-	79,213	79,213

26. Related party disclosures**(a) Names of the related parties and nature of relationship**

Names of the related party	Nature of relationship
Palred Technologies Limited	Holding company
Palred Technology Services Private Limited	Fellow subsidiary
Mr. Palem Srikanth Reddy	Key management personnel (KMP)
Mr. Ameen Khwaja	KMP
Ms. Supriya Reddy	Relative of KMP

(b) Nature of transactions

	For the year ended 31 March	
	2017	2016
Palred Technologies Limited		
-Issue of equity shares	50,000,000	100,000,000
-Receipt of share application money, pending allotment	-	200,000,000
Palred Technology Services Private Limited		
-Website maintenance expenses	3,007,500	3,424,300
-Issue of preference shares	20,000,000	-
Mr. Ameen Khwaja		
-Remuneration	1,800,000	1,800,000
-Issue of equity shares	2,875,000	-
Mrs. Supriya Reddy		
-Office rent	1,953,000	2,736,000

(c) Balances receivable

	As at 31 March	
	2017	2016
Mrs. Supriya Reddy		
-Security deposit	1,200,000	1,200,000

Palred Online Technologies Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

27. Defined benefit plan – gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The following tables summarize the components of net employee benefit expense recognized in the statement of profit and loss and amounts recognized in the balance sheet for the gratuity.

(a) Change in obligation at the end of the year

	As at 31 March	
	2017	2016
Obligation at the beginning of the year	255,117	73,817
Current service cost	351,446	192,951
Interest cost on benefit obligation	19,695	5,824
Recognized net actuarial (gain)/loss	(232,151)	(17,475)
Liabilities transferred in	5,329	-
Obligation at the end of the year	399,436	255,117

(b) Amount recognized in the statement of profit and loss

	For the year ended 31 March	
	2017	2016
Current service cost	351,446	192,951
Interest cost on benefit obligation	19,695	5,824
Net actuarial (gain)/losses recognised	(232,151)	(17,475)
	138,990	181,300

(c) The assumptions used in accounting for the gratuity plan are set out as below:

	As at 31 March	
	2017	2016
Discount rate	7.09%	7.72%
Salary escalation	7.00%	8.00%
Attrition rate		
For service 4 years and below	30.00%	17.00%
For service 5 years and above	2.00%	17.00%

The Company has not invested the accrued liability as of 31 March 2017. 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.

28. Segment reporting

The Company's business model and considering the internal financial reporting has identified "Trading online 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 and hence, no separate financial disclosures have been provided for the segment reporting.

Palred Online Technologies Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹, unless otherwise stated)

29. Previous year comparatives

The previous year comparatives have been regrouped/reclassified wherever necessary, to conform to the current year presentations.

30. Additional information

Additional information as required under paragraph 5 of the part II of the Schedule III to the Act to the extent either “Nil” or “Not Applicable” has not been furnished.

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

For **Walker Chandiok & Co LLP**

Chartered Accountants

per **Sanjay Kumar Jain**

Partner

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 : 26 May 2017

Place: Hyderabad

Date : 26 May 2017