Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)

Financial Statements and Independent Auditor's Report

31 March 2019

Contents

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Independent Auditor's Report

To the Members of Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited)

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2019, 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 significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Walker Chandiok & Co. LLP
Hyderabad

Basis for Opinion

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

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

4. The Company's Board of Directors is responsible for the other information. Other information does not include the financial statements and our auditor's report thereon.

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

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

   If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Reporting under this section is not applicable as no other information is obtained at the date of this auditor's report.

Responsibilities of Management for the Financial Statements

5. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Walker Chandiok & Co. LLP
Hyderabad
Chartered Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

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

Walker Chandiok & Co. LLP * Chartered Accountants Hyderabad

12. 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.

13. 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 2019 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 2019 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 2019 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.

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

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

Annexure A to the Independent Auditor's Report of even date to the members of Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited), on the financial statements for the year ended 31 March 2019

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 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.

Walker Chandiok & Co. LLP * Hyderabad *

(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 no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders. 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 paid and 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 Section 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements, as required by the applicable accounting standards.

(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.

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

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP
Hyderabad

Place: Hyderabad
Date: 30 May 2019

Annexure B to the Independent Auditor's Report of even date to the members of Palred Electronics Private Limited (formerly known as Palred Online Technologies Private Limited), on the financial statements for the year ended 31 March 2019

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 Electronics Private Limited (formerly known as Palred Online Technologies Private Limited) ('the Company') as at and for the year ended 31 March 2019, 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 includes 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
NV
Hyderabad

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 2019, 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

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)
Balance Sheet as at 31 March 2019
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2019	31 March 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,069,630	2,345,343
Intangible assets	8	1,393,680	2,649,548
Financial assets			
Investments	9(a)	13,360,000	14,293,890
Loans	9(c)	1,329,827	1,299,827
Total non-current assets		**17,153,137**	**20,588,608**
Current assets			
Inventories	11	28,028,639	55,118,925
Financial assets			
Investments	9(b)	1,058,468	10,135,552
Trade receivables	9(g)	27,840,921	-
Cash and cash equivalents	9(d)	11,863,873	2,027,885
Bank balances other than cash and cash equivalents	9(e)	-	22,503,946
Other financial assets	9(f)	2,203,460	21,204,460
Other current assets	10	23,234,617	20,089,087
Total current assets		**94,229,978**	**131,079,855**
Total assets		**111,383,115**	**151,668,463**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	12	322,987,470	309,830,720
Other equity	13	(227,090,631)	(234,558,585)
Total equity		**95,896,839**	**75,272,135**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	14(c)	5,100,414	909,400
Provisions	15	334,588	454,364
Total non-current liabilities		**5,435,002**	**1,363,764**
Current liabilities			
Financial liabilities			
Borrowings	14(a)	-	3,372,923
Trade payables			
(a) total outstanding dues of micro enterprises and small enterprises;	14(b)	-	-
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		2,761,732	33,319,997
Other financial liabilities	14(c)	6,757,867	36,008,194
Other current liabilities	16	526,602	2,329,847
Provisions	15	5,073	1,603
Total current liabilities		**10,051,274**	**75,032,564**
Total liabilities		**15,486,276**	**76,396,328**
Total equity and liabilities		**111,383,115**	**151,668,463**

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
Firm's Registration No.: 001076N/N500013

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN: 03089889

Pinekalapati Harish Naidu
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

Palred Electronics Private Limited Hyderabad *

Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)
Statement of Profit and Loss for the year ended 31 March 2019
(All amounts in ₹ unless otherwise stated)

	Notes	31 March 2019	31 March 2018
Revenue from operations	17	295,647,203	512,080,761
Other income	18	2,232,193	2,016,451
Total income		**297,879,396**	**514,097,212**
Expenses			
Purchases of stock-in-trade		134,608,073	209,722,430
Changes in inventories of stock-in-trade	19	27,038,586	(15,008,698)
Employee benefits expense	20	24,259,712	48,437,303
Finance costs	21	832,633	393,576
Depreciation and amortisation expense	7,8	2,874,110	4,066,502
Other expenses	22	152,826,222	320,480,154
Total expenses		**342,439,336**	**568,091,267**
Loss for the year		**(44,559,940)**	**(53,994,055)**
Other Comprehensive Income (OCI)			
Items that will not be reclassified to profit or loss			
Remeasurement of employment benefit obligations		196,374	(44,843)
Other comprehensive income / (loss) for the year		**(196,374)**	**44,843**
Total comprehensive loss for the year		**(44,756,314)**	**(53,949,212)**
Earnings Per Equity Share [EPES]			
Basic and Diluted EPES		(1.25)	(1.63)
Weighted average number of equity shares outstanding during the period and considered for calculation of basic and diluted EPES		35,658,471	33,097,644
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.

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

Nikhil Vaid
Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
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Ameen Khwaja
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DIN : 00800284

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DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

Palred Electronics Private Limited Hyderabad *

Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)
Cash Flow Statement for the year ended 31 March 2019
(All amounts in ₹ unless otherwise stated)

		31 March 2019	31 March 2018
Cash flows from operating activities			
Loss before tax		**(44,559,940)**	**(53,994,055)**
Adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortisation expense		2,874,110	4,066,502
Dividend income from mutual funds		(402,054)	(1,048,337)
Interest expense		832,633	393,576
Interest income		(1,323,287)	(853,961)
Due from collection agencies written off, net		114,610	3,033,069
Other adjustments		933,890	-
Operating loss before working capital changes		**(41,530,038)**	**(48,403,206)**
Movements in working capital:			
Changes in inventories		27,090,286	(15,236,005)
Changes in loans		(30,000)	727,000
Changes in financial assets		19,514,751	(2,826,893)
Changes in other assets		(30,581,294)	(7,851,966)
Changes in trade payables		(30,558,265)	1,500,087
Changes in financial liabilities		(24,807,206)	9,200,842
Changes in provisions		210,275	101,374
Changes in other current liabilities		(1,803,245)	(333,179)
Cash used in operating activities		**(82,494,736)**	**(63,121,946)**
Income taxes paid, net		(405,157)	-
Net cash used in operating activities	A	**(82,899,893)**	**(63,121,946)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(736,573)	(3,774,677)
Proceeds from sale of business functions		5,000,000	30,000,000
Investment in subsidiaries		-	(14,008,110)
Redemption/(investment) in term deposits, net		22,503,946	(22,503,946)
(Investments in)/ net proceeds from mutual funds		9,077,084	(10,135,552)
Dividend income from mutual funds		402,054	1,048,337
Interest received		694,926	559,940
Net cash used in/(generated from) investing activities	B	**36,941,437**	**(18,814,008)**
Cash flows from financing activities			
Proceeds from issuance of equity shares		60,000,000	99,999,998
Redemption of preference shares		-	(20,000,000)
(Repayment)/proceeds from current borrowings (net)		(3,372,923)	3,372,923
Interest paid		(832,633)	(393,576)
Net cash from in financing activities	C	**55,794,444**	**82,979,345**

Walker Chandiok & Co. LLP Hyderabad

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Palred Electronics Private Limited Hyderabad

Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)
Cash Flow Statement for the year ended 31 March 2019
(All amounts in ₹ unless otherwise stated)

	31 March 2019	31 March 2018
Net increase in cash and cash equivalents (A+B+C)	9,835,988	1,043,392
Cash and cash equivalents at the beginning of year	2,027,885	984,493
Cash and cash equivalents as at the end of the year	**11,863,873**	**2,027,885**

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

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

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
Palred Electronics Private Limited
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Ameen Khwaja
Managing Director
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Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

Palred Electronics Private Limited Hyderabad *

Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)
Statement of Changes in Equity for the year ended 31 March 2019
(All amounts in ₹ unless otherwise stated)

A. Equity share capital

	31 March 2019		31 March 2018	
	Number of Shares	Amount	Number of Shares	Amount
Equity shares of ₹10 each				
Balance at the beginning of the year	33,146,072	309,830,720	31,539,130	293,761,300
Issue of equity shares	1,315,675	13,156,750	1,606,942	16,069,420
Balance at the end of the year	**34,461,747**	**322,987,470**	**33,146,072**	**309,830,720**

B. Other equity

	Reserves and surplus		OCI	
	Securities premium	Retained earnings	Remeasurement of defined benefit plans	Total
As at 1 April 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	22,430,396	-	-	22,430,396
Loss for the year	-	(53,994,055)	-	(53,994,055)
Other comprehensive income	-	-	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)**
Issue of equity shares	46,843,250	-	-	46,843,250
Contribution from Palred Technologies Limited	5,381,018	-	-	5,381,018
Loss for the year	-	(44,559,940)	-	(44,559,940)
Other comprehensive loss	-	-	(196,374)	(196,374)
Total comprehensive loss	**-**	**(44,559,940)**	**(196,374)**	**7,467,954**
As at 31 March 2019	**194,981,440**	**(422,152,691)**	**80,620**	**(227,090,631)**

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

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

Nikhil Vaid
Nikhil Vaid
Partner
Membership No.: 213356

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN : 03089889

Pinelalapati Harish Naidu
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

1. Company's overview

Palred Electronics Private Limited (formerly known as 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 has its registered office at H. No. 8-2-703/2/B, Plot No. 2, Road No. 12, Banjara Hills, Hyderabad, Telangana – 500 034.

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.

2. General information and 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, unless otherwise stated elsewhere in these financial statements.

These financial statements for the year ended 31 March 2019 were authorized and approved for issue by the Board of Directors on 30 May 2019.

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 Business combinations

Common control transactions
Business combinations involving entities that are controlled by the Palred Group are accounted for using the pooling of interests method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies;
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date;
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve;
- The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee; and

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- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

4.1 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
• 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.

4.2 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. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to Statement of Profit and Loss reflects the amount that arises from using this method.

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.

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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.

4.3 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:

- 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.

4.4 Revenue recognition

The Company has adopted Ind AS 115 - Revenue from Contracts with Customers, using modified retrospective application method with effect from 1 April 2018 and accordingly these financial statements are prepared in accordance with the recognition and measurement principles laid down in Ind AS 115. The application of Ind AS 115 did not have any significant impact on recognition and measurement of revenue and related items in the financial statements of the Company.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

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The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
2. the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. the Company's performance does not create an asset with an alternative use to the Company and an entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Sale of Goods
Revenue from sale of goods is recognised where control is transferred to the Company's customers at the time of shipment to or receipt of goods by the customers.

Revenue from sale of goods includes only the gross inflows of economic benefits, received and receivable by the Company, on its own account. Amount collected on behalf of third parties such as sales tax and value added taxes are excluded from revenue.

The recovery of Goods and Services tax 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.

Unbilled receivables and Unearned revenue
Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned revenue is recognised when there are billings in excess of revenues. The billing schedules agreed with customers could include periodic performance-based payments and/or milestone-based progress payments. Invoices are payable within contractually agreed credit period. Advances received for services are reported as liabilities until all conditions for revenue recognition are met.

Interest Income
For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included under 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.

4.5 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.

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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.

As at 31 March 2019 and 31 March 2018, 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 or liability recorded in the financial statements as at reporting periods presented.

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.

4.6 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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4.7 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.

4.8 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.

4.9 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.

4.10 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.

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.

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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.

4.11 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.

4.12 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.

Contingent assets are disclosed when probable and recognised when realization of income is virtually certain.

4.13 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.

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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.

4.14 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:

- 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.

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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
Equity instruments/Mutual funds in the scope of Ind AS 109 are measured at fair value. The classification is made on initial recognition and is irrevocable. Subsequent changes in the fair values at each reporting date are recognised in the Statement of Profit and Loss.

All equity investments in subsidiaries are measured at cost less diminution other than temporary. All equity investments in scope of Ind AS 109 are measured at fair value. Equity investments which are held for trading are classified as fair value through profit and loss account (FVTPL). For all other equity investments, the Company may make an irrevocable election to present in OCI subsequent changes in fair value. The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable. If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in OCI. There is no recycling of amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain/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.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

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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) Trade and other receivables

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.

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.

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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.

4.15 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.

4.16 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.

4.17 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.

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4.18 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:

Ind AS 116 - Leases:
On 30 March 2019, Ministry of Corporate Affairs has notified the Ind AS 116, Leases. It requires all leases to be accounted on the balance sheet by recognising a right of use asset and a corresponding lease liability, with an exception of certain short term leases and leases of low value assets. The new standard is applicable from 1 April 2019. The company has evaluated the effect of this on the financial statements and the impact is not material.

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:

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.

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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 trade and other receivables

The impairment provisions for trade and other receivables 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.

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.

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7 Property, plant and equipment

	Leasehold improvements	Computers	Office equipment	Furniture and fixtures	Electrical installation	Total
As at 1 April 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 (refer note 25(a))	(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**
Additions	-	140,000	158,889	107,937	26,000	432,826
Disposals (refer note 25(b))	-	(773,147)	-	-	-	(773,147)
As at 31 March 2019	**543,875**	**2,203,664**	**918,160**	**803,898**	**212,619**	**4,682,216**
Accumulated depreciation						
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 (refer note 25(a))	(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**
Charge for the year	229,851	908,170	247,004	134,164	47,413	1,566,602
Disposals (refer note 25(b))	-	(631,210)	-	-	-	(631,210)
Up to 31 March 2019	**543,875**	**2,051,456**	**575,737**	**376,226**	**65,292**	**3,612,586**
Net carrying amount						
As at 31 March 2019	-	**152,208**	**342,423**	**427,672**	**147,327**	**1,069,630**
As at 31 March 2018	229,851	1,062,315	430,538	453,899	168,740	2,345,343

8 Intangible Assets

	Computer Software
As at 1 April 2017	**3,000,646**
Additions	1,443,876
Disposals (refer note 25(a))	(93,288)
As at 31 March 2018	**4,351,234**
Additions	51,640
At 31 March 2019	**4,402,874**
Accumulated Amortization	
Up to 31 March 2017	**934,094**
Charge for the year	800,556
Disposals (refer note 25(a))	(32,964)
Up to 31 March 2018	**1,701,686**
Charge for the year	1,307,508
Up to 31 March 2019	**3,009,194**
Net carrying amount	
As at 31 March 2019	**1,393,680**
As at 31 March 2018	2,649,548

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9 Financial assets

(a) Non-current Investments

	31 March 2019	31 March 2018
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	100,000
-% of holding	100%	100%
Gross carrying amount	933,890	933,890
Impairment towards investments	933,890	-
Net carrying amount	-	933,890
(ii) Palred Online Technologies Limited, principal place of business at Hong Kong		
-Number of shares	1,600,000	1,600,000
-Par value of each share	1HKD	1HKD
-% of holding	100%	100%
Gross carrying amount	13,360,000	13,360,000
Impairment towards investments	-	-
Net carrying amount	13,360,000	13,360,000
	13,360,000	**14,293,890**
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate book value of unquoted investments	14,293,890	14,293,890
Aggregate amount of impairment of value in investments	933,890	-

(b) Current investments

	31 March 2019	31 March 2018
Investments in mutual funds, non-trade, unquoted		
865 (31 March 2018: 10,019) units Kotak Floater Short Term - Direct Plan-DD	1,058,468	10,135,552
	1,058,468	**10,135,552**
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate book value of unquoted investments	1,058,468	10,135,552
Aggregate amount of impairment of value in investments	-	-

(c) Loans

	31 March 2019	31 March 2018
Unsecured, considered good		
Security deposits		
– related party	1,200,000	1,200,000
– others	129,827	99,827
	1,329,827	**1,299,827**

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 2019	31 March 2018
Balances with banks		
– in current accounts	11,813,692	1,920,572
Cash on hand	50,181	107,313
	11,863,873	**2,027,885**

(e) Bank balances other than cash and cash equivalents

	31 March 2019	31 March 2018
Deposit with maturity more than 3 months but less than 12 months*	-	22,503,946
	-	22,503,946

*As at 31 March 2018, Company has pledged these deposits to fulfil collateral requirements. Refer to note 14 for further details.

(f) Other financial assets

	31 March 2019	31 March 2018
Unsecured, considered good		
Unbilled receivables	628,361	294,021
Due from collection agencies	1,575,099	20,910,439
	2,203,460	**21,204,460**

(g) Trade receivables

	31 March 2019	31 March 2018
Unsecured, considered good	27,840,921	-
	27,840,921	-

10 Other assets

	31 March 2019	31 March 2018
Unsecured, considered good		
Prepaid expenses	474,890	828,548
Vendor and employee advances	7,205,284	10,555,996
Other advances	459,094	80,252
Balances with government authorities	15,095,349	8,624,291
	23,234,617	**20,089,087**

11 Inventories

	31 March 2019	31 March 2018
Stock-in-trade (at lower of cost and net realizable value)	27,985,139	55,023,725
Packing materials (at cost)	43,500	95,200
	28,028,639	**55,118,925**

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12 Equity share capital

	31 March 2019		31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Authorized share capital				
Equity shares of ₹10 each	41,000,000	410,000,000	41,000,000	410,000,000
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	31,961,747	319,617,470	30,646,072	306,460,720
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
	34,461,747	**322,987,470**	**33,146,072**	**309,830,720**

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

	31 March 2019		31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Equity shares				
Balance at the beginning of the year	33,146,072	309,830,720	31,539,130	293,761,300
Add: Issued during the year	1,315,675	13,156,750	1,606,942	16,069,420
Balance at the end of the year	**34,461,747**	**322,987,470**	**33,146,072**	**309,830,720**
Preference shares				
Balance at the beginning of the year	-	-	2,000,000	20,000,000
Less : Redemption during the year	-	-	(2,000,000)	(20,000,000)
Balance at the end of the year	**-**	**-**	**-**	**-**

(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 an Palred Technology Services Private Limited ('PTS'), the Preference share were redeemed during the previous year.

(c) Shares held by Holding Company

	31 March 2019		31 March 2018	
	Number of Shares	Amount	Number of Shares	Amount
Palred Technologies Limited	26,861,747	268,617,470	25,546,072	255,460,720

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

	31 March 2019		31 March 2018	
	Number of shares	% of holding	Number of shares	% of holding
Equity shares of ₹10 each				
Palem Srikanth Reddy	5,099,990	15.79%	5,099,990	16.46%
Palred Technologies Limited	26,861,747	83.17%	25,546,072	82.45%

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 Directors of the Company.

13 Other equity

	31 March 2019	31 March 2018
Reserves and Surplus		
Securities premium	194,981,440	142,757,172
Deficit in statement of profit and loss	(422,152,691)	(377,592,751)
Other comprehensive income		
Remeasurement of defined benefit plans	80,620	276,994
	(227,090,631)	**(234,558,585)**

Nature and purpose of reserves

Securities premium

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

Remeasurement of defined benefit plans

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 2019	31 March 2018
Secured, loans repayable on demand from banks		
Bank overdraft	-	3,372,923
	-	**3,372,923**

(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. The same was repaid during the year.

(ii) Net debt reconciliation

	Amounts
Net debt as at 1 April 2017	**20,000,000**
Cash flows, net	(16,627,077)
Interest expense	393,576
Interest paid	(393,576)
Net debt as at 31 March 2018	**3,372,923**
Cash flows, net	(3,372,923)
Interest expense	832,633
Interest paid	(832,633)
Net debt as at 31 March 2019	**-**

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(b) The details of dues to micro enterprises and small enterprises are as follows :

	31 March 2019	31 March 2018
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the year;	-	-
ii) The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed date during the accounting year;	-	-
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purposes of disallowance as a deductible expenditure under the section 23 of the MSMED Act, 2006.	-	-

This information required to be disclosed has been determined to the extent such parties have been identified on the basis of information available with the Company. The auditors have placed reliance on the information provided by the Management.

(c) Other financial liabilities

	31 March 2019	31 March 2018
Non-current		
Dealer deposits	5,100,414	909,400
	5,100,414	**909,400**
Current		
Payable to customer towards refund	1,127,947	12,938,125
Liabilities for expenses	3,086,478	20,642,278
Creditor for capital goods	-	252,107
Other payables	2,543,442	2,175,684
	6,757,867	**36,008,194**
	11,858,281	**36,917,594**

15 Provisions

	31 March 2019		31 March 2018	
	Non-current	Current	Non-current	Current
Gratuity	334,588	5,073	454,364	1,603
	334,588	**5,073**	**454,364**	**1,603**

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(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 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 other comprehensive income	**(44,843)**
Liability transferred out	(186,792)
As at 31 March 2018	**455,967**
Interest cost	35,018
Current service cost	214,789
Total amount recognised in statement of profit and loss	**249,807**
Remeasurements	
Actuarial gain on obligation	196,374
Total amount recognised in other comprehensive income	**196,374**
Liability transferred out	(562,487)
As at 31 March 2019	**339,661**

Assumptions :

	31 March 2019	31 March 2018
Future Salary rise	7.00%	7.00%
Discount rate	7.48%	7.68%
Attrition rate		
For service 4 years and below	30.00%	30.00%
For service 5 years and above	2.00%	2.00%
Mortality table	India Assured Lives Mortality (2006-08)	

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 2019		31 March 2018	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Future Salary rise	1.00%	59,980	(49,853)	90,506	(73,662)
Discount rate	1.00%	(49,233)	60,302	(72,595)	90,007
Attrition rate	1.00%	[illegible]	[illegible]	[illegible]	[illegible]

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. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Defined benefit liability and employer contributions

The Company's aim to eliminate the deficit in gratuity plan over the next year. Funding levels are monitored on an annual basis and the current agreed contribution rate is 12% of the basic salaries. The Company considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

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The expected future cash flows in respect of gratuity were as follows:

	Amount	Amount
Expected contribution		
In the subsequent year	135,205	249,807
Expected future benefit payments		
1st Following year	5,073	1,603
2nd Following year	6,558	3,848
3rd Following year	7,693	8,927
4th Following year	8,823	11,181
5th Following year	9,828	13,993
Thereafter	1,326,116	2,221,658

16 Other current liabilities

	31 March 2019	31 March 2018
Balances due to government authorities	526,602	2,329,847
	526,602	**2,329,847**

17 Revenue from operations

	31 March 2019	31 March 2018
Sale of goods	295,647,203	481,667,670
Sale of services	-	30,413,091
	295,647,203	**512,080,761**

(i) The Company has derived 100% of its revenue from operations from locations based out of India.

(ii) Reconciliation of revenue recognised with the contract price is as follows:

	31 March 2018
Contract price	300,644,969
Adjustment for sales incentive	4,997,766
Total Revenue from operations	**295,647,203**

18 Other income

	31 March 2019	31 March 2018
Dividends income from mutual funds	402,054	1,048,337
Interest income on fixed deposits	1,323,287	853,961
Miscellaneous income	506,852	114,153
	2,232,193	**2,016,451**

19 Changes in inventories of stock-in-trade

	31 March 2019	31 March 2018
Inventory at the beginning of the year	55,023,725	10,015,027
Inventory at the end of the year	(27,985,139)	(55,023,725)
	27,038,586	**(45,008,698)**

20 Employee benefits expense

	31 March 2019	31 March 2018
Salaries and wages	21,804,787	42,650,883
Contribution to provident fund	1,042,760	2,399,885
Contribution to employee state insurance fund	290,024	996,448
Gratuity	249,807	288,166
Staff welfare expenses	872,334	2,101,921
	24,259,712	**48,437,303**

During February 2019, the Supreme Court of India issued a judgement which provided further guidance for companies in determining which components of their employees' compensation are subject to statutory withholding obligations, and matching employer contribution obligations, for Provident Fund contributions under Indian law. There are numerous interpretative issues relating to this judgement. However, the Company has made a provision on a prospective basis from the date of the Supreme Court's judgement. The Company will evaluate the same and update its provision, if any on receiving further clarity on the subject.

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21 Finance costs

	31 March 2019	31 March 2018
Interest	832,633	393,576
	832,633	**393,576**

22 Other expenses

	31 March 2019	31 March 2018
Rent	750,000	4,481,820
Rates and taxes	472,917	2,176,243
Repairs and maintenance (others)	2,678,547	5,848,284
Website maintenance expenses	25,216,742	17,415,935
Freight charges	1,006,153	1,863,287
Office maintenance	1,951,852	5,364,303
Business promotion expenses	35,992,208	110,244,717
Postage and courier	48,141	51,331
Power and fuel	507,703	1,325,405
Travelling and conveyance	2,805,764	2,857,307
Delivery charges	36,490,162	136,319,723
Legal and professional expenses	1,557,129	5,851,481
Due from collection agencies written off, net	114,610	3,033,069
Hosting expenses	213,945	7,394,856
Refund expenses, net	312,093	180,247
Payments to auditor		
-Statutory audit fees	1,006,250	1,150,000
-Other services	100,000	-
Packing material	414,871	8,430,831
Bank charges	312,382	481,700
Sales commission	37,478,880	3,135,821
Miscellaneous expenses	3,395,873	2,873,794
	152,826,222	**320,480,154**

23 Segment reporting

The Company's business model and considering the internal financial reporting has identified "Trading in 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.

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24 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 Retail Private Limited	India	Fellow subsidiary
Palred Technology Services Private Limited	India	Fellow subsidiary
Palred Online Bilism Teknoljileri Ticaret Anomin Sirketi	Turkey	Subsidiary
Palred Online Technologies Limited	Hong Kong	Subsidiary
Palred Technology Shenzhen Company Ltd	China	Subsidiary
Palem Srikanth Reddy		Key Managerial Personnel (KMP)
Ameen Khwaja		KMP
Supriya Reddy		Relative of KMP
Stuthi Reddy		Relative of KMP

(b) Transactions with related parties

	31 March 2019	31 March 2018
Palred Technologies Limited		
-Issue of equity shares	60,000,000	100,000,000
-Expenses incurred on behalf of Company, net	20,816	-
Palred Technology Services Private Limited		
-Purchase of services	24,891,742	17,415,935
-Redemption of preference shares	-	(20,000,000)
-Sale of business (refer note 25(a))	-	30,000,000
-Expenses incurred on behalf of Company, net	259,877	-
Palred Retail Private Limited		
-Advertisement reimbursement	10,509,008	-
-Sale of business (refer note 25(b))	5,000,000	-
-Sale of inventory	44,279,285	-
-Reimbursement of expenses, net	20,663	-
Palred Online Bilism Teknoljileri Ticaret Anomin Sirketi		
-Investment in subsidiary	-	648,110
Palred Online Technologies Limited- Hong Kong		
-Investment in subsidiary	-	13,360,000
-Expenses incurred on behalf of Company, net	-	451,834
Palred Technology Shenzhen Company Ltd- China		
-Sourcing commission	2,962,029	-
Ameen Khwaja		
-Remuneration*	1,800,000	1,800,000
-Reimbursement of expenses, net	616,871	730,460
Supriya Reddy		
-Rent	300,000	1,126,500
Stuthi Reddy		
-Rent	450,000	-

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

(c) Balances receivable/(payable)

	31 March 2019	31 March 2018
Supriya Reddy	1,200,000	1,200,000
Mr. Ameen Khwaja	148,784	126,648
Palred Technology Shenzhen Company Ltd- China	(959,882)	-
Palred Retail Private Limited	8,875,599	-
Palred Technology Services Private Limited	(5,337)	3,562,144

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25 a)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 contribution received as an equity transaction with the Palred Technologies Limited.

	1 January 2018
Consideration received (A)	**30,000,000**
Less : Identifiable assets/liabilities 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/(liabilities) transferred (B)	**7,569,604**
Contribution received from Palred Technologies Limited (A-B)	**22,430,396**

b) Sale of Business functions to Palred Retail Private Limited

Effective 1 October 2018, the Company has sold the business functions of order trading platform of LatestOne, PTron and DaZon to Palred Retail Private Limited, a fellow subsidiary of the Company, in payment of full purchase consideration of ₹5,000,000. 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 contribution received as an equity transaction with the Palred Technologies Limited.

	1 October 2018
Consideration received (A)	**5,000,000**
Less : Identifiable assets/liabilities transferred	
Property, plant and equipment	141,937
Gratuity transferred for the identified employees	(522,955)
Total identifiable assets/(liabilities) transferred (B)	**(381,018)**
Contribution received from Palred Technologies Limited (A-B)	**5,381,018**

26 Fair value measurements

(a) Financial instruments by category

	31 March 2019		31 March 2018	
	FVTPL	**Amortised cost**	**FVTPL**	**Amortised cost**
Financial assets				
Current investments	1,058,468	-	10,135,552	-
Cash and cash equivalents	-	11,863,873	-	2,027,885
Bank balances other than cash and cash equivalents	-	-	-	22,503,946
Loans	-	1,329,827	-	1,299,827
Trade receivables	-	27,840,921	-	-
Other financial assets	-	2,203,460	-	21,204,460
Total financial assets	**1,058,468**	**43,238,081**	**10,135,552**	**47,036,118**
Financial liabilities				
Borrowings	-	-	-	3,372,923
Trade payables	-	2,761,732	-	33,319,997
Other financial liabilities	-	11,858,281	-	36,917,594
Total financial liabilities	-	**14,620,013**	-	**73,610,514**

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

	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	11,863,873	11,863,873	2,027,885	2,027,885
Bank balances other than cash and cash equivalents	-	-	22,503,946	22,503,946
Loans	1,329,827	1,329,827	1,299,827	1,299,827
Trade receivables	27,840,921	27,840,921	-	-
Other financial assets	2,203,460	2,203,460	21,204,460	21,204,460
Total financial assets	**43,238,081**	**43,238,081**	**47,036,118**	**47,036,118**
Financial liabilities				
Borrowings	-	-	3,372,923	3,372,923
Trade payables	2,761,732	2,761,732	33,319,997	33,319,997
Other financial liabilities	11,858,281	11,858,281	36,917,594	36,917,594
Total financial liabilities	**14,620,013**	**14,620,013**	**73,610,514**	**73,610,514**

The carrying amounts of financial assets and financial liabilities 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 2019		31 March 2018	
	Level 2	Level 3	Level 2	Level 3
Financial instruments measured at fair value, recurring fair value measurements				
Investments	1,058,468	-	10,135,552	-

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.

27 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 trade and other receivables.

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.

Trade and other receivables

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.

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 ₹114,610 (31 March 2018: ₹3,033,069) 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 2019	31 March 2018
Current assets	94,229,978	131,079,855
Current liabilities	10,051,274	75,032,564
Working capital	**84,178,704**	**56,047,291**

Except for other non-current financial liabilities, 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. Dealer Deposits are expected to be settled beyond 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. Further, the borrowing rate 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.

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

D. Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

28 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. The Gearing Ratio as at 31 March 2019 is Nil (31 March 2018: Nil). There have been no material breaches in the financial covenants of any borrowing in the current period.

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
Firm's Registration No.: 001076N/N500013

Nikhil Vaid

Nikhil Vaid
Partner
Membership No.: 213356

Walker Chandiok & Co. LLP * Hyderabad *

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
Palred Electronics Private Limited
(formerly known as Palred Online Technologies Private Limited)

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN : 03089889

Pinekalapati Harish Naidu
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

Palred Electronics Private Limited Hyderabad *