Palred Retail Private Limited

Financial Statements and Independent Auditor's Report

31 March 2019

Contents

Walker Chandiok & Co LLP

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Independent Auditor's Report

To the Members of Palred Retail Private Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Palred Retail 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 period 17 May 2018 to 31 March 2019, 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 period 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 * NV

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. The Company has not paid or provided for any managerial remuneration during the period. Accordingly, reporting under section 197(16) of the Act is not applicable.

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.

Walker Chandiok & Co LLP Chartered Accountants Hyderabad NV

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 period 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 Retail Private Limited, on the financial statements for the period 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 period 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 period and no material discrepancies between physical inventory and book records were noticed on physical verification.

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

(iv) In our opinion, the Company has not entered into any transaction covered under Section 185 and Section 186 of the Act.

(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 period-end for a period of more than six months from the date they became payable.

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

Walker Chandiok & Co. LLP
NV
Hyderabad

(viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the period. 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 period. 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) The Company has not paid or provided for any managerial remuneration. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable.

(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 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements, as required by the applicable accounting standards. Further, in our opinion, the Company is not required to constitute audit committee under Section 177 of the Act.

(xiv) During the period, 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 period, 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 Retail Private Limited, on the financial statements for the period 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 Retail Private Limited ('the Company') as at and for the period 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
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 Retail Private Limited
Balance Sheet as at 31 March 2019
(All amounts in ₹ unless otherwise stated)

	Notes	As at 31 March 2019
ASSETS		
Non-current assets		
Property, plant and equipment	7	83,740
Other non current assets	9	2,229,101
Total non-current assets		**2,312,841**
Current assets		
Inventories	10	12,154,999
Financial assets		
Cash and cash equivalents	8(a)	5,914,656
Other financial assets	8(b)	5,070,976
Other current assets	9	173,723
Total current assets		**23,314,354**
Total assets		**25,627,195**
EQUITY AND LIABILITIES		
EQUITY		
Equity share capital	11	21,081,500
Other equity	12	(18,622,167)
Total equity		**2,459,333**
LIABILITIES		
Non-current liabilities		
Provisions	14	251,778
Total non-current liabilities		**251,778**
Current liabilities		
Financial liabilities		
Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises; and	13(a)	-
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		17,376,585
Other financial liabilities	13(b)	5,047,933
Other current liabilities	15	489,766
Provisions	14	1,800
Total current liabilities		**22,916,084**
Total liabilities		**23,167,862**
Total equity and liabilities		**25,627,195**

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 Registration No. 001076N/ N500013

Nikhil Vaid
Partner
Membership No.: 213356

Place: Hyderabad
Date: 30 May 2019

Walker Chandiok & Co. LLP ★ Hyderabad ★

For and on behalf of Board of Directors of
Palred Retail Private Limited

Anuj Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN: 03089889

Pinekalapati Harish Naidu
Director
DIN : 07010812

Place: Hyderabad
Date: 30 May 2019

PALRED RETAIL PRIVATE LIMITED KURNOOL ★

Palred Retail Private Limited

Statement of Profit and Loss for the period 17 May 2018 to 31 March 2019

(All amounts in ₹ unless otherwise stated)

	Notes	For the period 17 May 2018 to 31 March 2019
Revenue from operations	16	75,038,997
Other income	17	95,296
Total income		**75,134,293**
Expenses		
Purchases of stock-in-trade		45,858,735
Changes in inventories of stock-in-trade	18	(12,092,549)
Employee benefits expense	19	6,541,881
Depreciation expense	7	58,197
Other expenses	20	48,468,796
Total expenses		**88,835,060**
Loss for the period		**(13,700,767)**
Other Comprehensive Income (OCI)		
Items that will not be reclassified to profit or loss		
Remeasurement of employment benefit obligations		459,618
Other comprehensive income for the period		**459,618**
Total comprehensive income for the period		**(13,241,149)**
Earnings Per Equity Share [EPES]		
Basic and Diluted EPES		(12.08)
Weighted average number of equity shares outstanding during the period and considered for calculation of basic and diluted EPES		1,133,903
Nominal value per equity share		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 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 Retail Private Limited

Ameen Khwaja
Managing Director
DIN : 00800284

S.Vijaya Saradhi
Director
DIN: 03089889

Pinekalapati Harish Naidu
Director
DIN : 07010012

Place: Hyderabad
Date: 30 May 2019

PALRED RETAIL PRIVATE LIMITED KURNOOL

Palred Retail Private Limited

Cash Flow Statement for the period 17 May 2018 to 31 March 2019

(All amounts in ₹ unless otherwise stated)

		For the period 17 May 2018 to 31 March 2019
Cash flows from operating activities		
Loss before tax		**(13,700,767)**
Adjustments to reconcile loss before tax to net cash flows :		
Dividend income from mutual funds		(95,296)
Depreciation expense		58,197
Operating loss before working capital changes		**(13,737,866)**
Movements in working capital:		
Changes in inventories		(12,154,999)
Changes in financial assets		(5,070,976)
Changes in other assets		(2,402,824)
Changes in trade payables		17,376,585
Changes in financial liabilities		5,047,933
Changes in provisions		190,241
Changes in other current liabilities		489,766
Net cash used in operating activities	**A**	**(10,262,140)**
Cash flows from investing activities		
Dividend income from mutual funds		95,296
Net cash generated from investing activities	**B**	**95,296**
Cash flows from financing activities		
Proceeds from issuance of equity shares		21,081,500
Payment for business purchase (refer note 23)		(5,000,000)
Net cash generated from financing activities	**C**	**16,081,500**
Net increase in cash and cash equivalents (A+B+C)		5,914,656
Cash and cash equivalents at the beginning of period		-
Cash and cash equivalents as at the end of the period		**5,914,656**

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

For Walker Chandiok & Co LLP
Chartered Accountants
Firm 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 Retail Private Limited

Ameen Khwaja
Managing Director
DIN : 00000204

Pinekalapati Harish Naidu
Director
DIN : 07010812

S.Vijaya Saradhi
Director
DIN . 03089889

Place: Hyderabad
Date: 30 May 2019

PALRED RETAIL PRIVATE LIMITED ★ KURNOOL

Palred Retail Private Limited
Statement of Changes in Equity for the period 17 May 2018 to 31 March 2019
(All amounts in ₹ unless otherwise stated)

A. Equity share capital

	As at 31 March 2019
Equity shares of ₹10 each	
Issue of equity share capital during the period	21,081,500
Balance at the end of the period	**21,081,500**

B. Other equity

	Reserves and surplus	OCI	Total
	Retained earnings	Remeasurement of defined benefit plans	
Distribution to Palred Technologies Limited (refer note 23)	(5,381,018)	-	(5,381,018)
Loss for the period	(13,700,767)	-	(13,700,767)
Other comprehensive income	-	459,618	459,618
Total comprehensive loss	**(13,700,767)**	**459,618**	**(13,241,149)**
As at 31 March 2019	**(19,081,785)**	**459,618**	**(18,622,167)**

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

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

Nikhil Vaid
Partner
Membership No.: 213356

Place: Hyderabad
Date: 30 May 2019

For and on behalf of Board of Directors of
Palred Retail 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 Retail Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹unless otherwise stated)

1. Company's overview

Palred Retail Private Limited (the 'Company') is a private company domiciled in India and incorporated under the provisions of the Companies Act 2013. 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 Survey No. 1240, Nannur, Orvakal, Kurnool, Andhra Pradesh- 518002

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. As this is year of incorporation of the Company, the financial statements are presented for the period 17 May 2018 to 31 March 2019.

These financial statements for the period 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

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
- 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.

Walker Chandiok & Co. LLP * Hyderabad *
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PALRED RETAIL PRIVATE LIMITED * KURNOOL

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 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.

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4.3 Revenue recognition

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.

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.

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.

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.

4.4 Taxes

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

Current income tax
Current tax is the amount of tax payable on the taxable income for the period 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.

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Deferred tax

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

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

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

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

Dividend distribution tax (DDT)

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

4.5 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.

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4.6 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.

4.7 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.

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.

4.8 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.

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4.9 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.

4.10 Employee benefits

Defined contribution plan

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

Defined benefit plan

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

Short-term employee benefits

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

4.11 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.

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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 into debt and equity instruments.

- 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.

Debt instruments at fair value through other comprehensive income (FVTOCI)
A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:
- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

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

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

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

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

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

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

Cash and cash equivalents

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

Other receivables (dues from collection agencies)

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

De-recognition

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

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

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

Impairment of financial assets

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

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

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

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

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

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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 and other financial instruments. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Subsequent measurement
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.

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.

4.12 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.

4.13 Earnings Per Equity Share (EPES)

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

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

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Summary of significant accounting policies and other explanatory information
(All amounts in ₹unless otherwise stated)

4.14 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.

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:

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.

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.

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

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7 Property, plant and equipment

	Computers
Gross carrying amount	
As at 17 May 2018	-
Transfer from Palred Electronics Private Limited (PEP) (refer note 23)	141,937
As at 31 March 2019	**141,937**
Accumulated depreciation	
Up to 17 May 2018	
Charge for the period	58,197
Up to 31 March 2019	**58,197**
Net carrying amount	
As at 31 March 2019	**83,740**

8 Financial assets

(a) Cash and cash equivalents

	As at 31 March 2019
Balances with banks	
– in current accounts	5,908,888
Cash on hand	5,768
	5,914,656

(b) Other financial assets

	As at 31 March 2019
Unsecured, considered good	
Due from collection agencies	5,070,976
	5,070,976

9 Other assets

	As at 31 March 2019
Unsecured, considered good	
Non-current	
Balances with government authorities	2,229,101
	2,229,101
Current	
Prepaid expenses	107,703
Vendor and employee advances	66,020
	173,723

10 Inventories

	As at 31 March 2019
Stock-in-trade (at lower of cost and net realizable value)	12,092,549
Packing materials (at cost)	62,450
	12,154,999

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11 Equity share capital

	As at 31 March 2019	
	Number of shares	Amount
Authorized share capital		
Equity shares of ₹10 each	2,631,500	26,315,000
Issued, subscribed and fully paid-up shares		
Equity shares of ₹10 each	2,050,000	20,500,000
Issued, subscribed and partly paid-up shares		
Equity shares of ₹10 each, ₹1 paid up	581,500	581,500
	2,631,500	**21,081,500**

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

	As at 31 March 2019	
	Number of shares	Amount
Equity shares		
Issue of equity share capital during the period	2,631,500	21,081,500
Balance at the end of the period	**2,631,500**	**21,081,500**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity 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.

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

	As at 31 March 2019	
	Number of shares	% of holding
Palred Technologies Limited (Holding Company)	2,040,000	96.77%

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.

12 Other equity

	As at 31 March 2019
Reserves and surplus	
Deficit in statement of profit and loss	(19,081,785)
Other comprehensive income	
Remeasurement of defined benefit plans	459,618
	(18,622,167)

Nature and purpose of reserves

(a) 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.

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Summary of significant accounting policies and other explanatory information

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13 Financial liabilities

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

	As at 31 March 2019
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of the period;	-
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 period;	-
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 period) 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 period; 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.

(b) Other financial liabilities

	As at 31 March 2019
Payable to customer towards refund	189,188
Liabilities for expenses	1,487,325
Other payables	3,371,420
	5,047,933

14 Provisions

	As at 31 March 2019	
	Non-current	**Current**
Gratuity	251,778	1,800
	251,778	**1,800**

(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 periods 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 periods of service. The gratuity plan is unfunded.

	As at 31 March 2019
Future Salary rise	7.00%
Discount rate	7.64%
Attrition rate	
For service 4 periods and below	30.00%
For service 5 periods and above	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.

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The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the period are as follows:

	Present value of obligations
Interest cost	43,353
Current service cost	146,888
Total amount recognised in statement of profit and loss	**190,241**
Remeasurements	
Actuarial gain on obligation	(459,618)
Total amount recognised in other comprehensive income	**(459,618)**
Liability transferred in	522,955
As at 31 March 2019	**253,578**

Sensitivity analysis

	Changes in assumption	As at 31 March 2019	
		Increase in assumption	Decrease in assumption
Future Salary rise	1.00%	51,943	(41,944)
Discount rate	1.00%	(41,374)	52,138
Attrition rate	1.00%	(1,536)	915

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.

Defined benefit liability and employer contributions
The Company's aim to eliminate the deficit in gratuity plan over the next period. 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.

The expected future cash flows in respect of gratuity as at 31 March 2019 were as follows:

	Amount
Expected Contribution	
During the period ended 31 March 2020	108,566
Expected future benefit payments	
1st Following year	1,800
2nd Following year	4,247
3rd Following year	6,030
4th Following year	6,860
5th Following year	7,554
Thereafter	1,285,417

15 Other current liabilities

	As at 31 March 2019
Balances due to government authorities	489,766
	489,766

16 Revenue from operations

	For the period 17 May 2018 to 31 March 2019
Sale of goods	75,038,997
	75,038,997

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

17 Other income

	For the period 17 May 2018 to 31 March 2019
Dividends income from mutual funds	95,296
	95,296

18 Changes in inventories of stock-in-trade

	For the period 17 May 2018 to 31 March 2019
Inventory at the beginning of the period	-
Inventory at the end of the period	(12,092,549)
	(12,092,549)

19 Employee benefits expense

	For the period 17 May 2018 to 31 March 2019
Salaries and wages	5,738,022
Contribution to provident fund*	342,171
Contribution to employee state insurance fund	120,439
Gratuity	190,241
Staff welfare expenses	151,008
	6,541,881

*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.

20 Other expenses

	For the period 17 May 2018 to 31 March 2019
Rent	300,000
Rates and taxes	389,621
Repairs and maintenance - others	100,454
Website maintenance expenses	578,406
E commerce fulfilment service	7,071,092
Office maintenance	357,695
Business promotion expenses	15,153,270
Power and fuel	345,552
Travelling and conveyance	67,802
Delivery charges	16,662,137
Payments to auditor	
-Statutory audit fees	300,000
Commission charges	6,467,236
Legal and professional expenses	225,665
Packing material	100,050
Bank charges	11,005
Miscellaneous expenses	338,811
	48,468,796

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PALRED RETAIL PRIVATE LIMITED KURNOOL

Palred Retail Private Limited

Summary of significant accounting policies and other explanatory information

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21 Segment reporting

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

22 Related party disclosures

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

Names of related parties	Place of incorporation	Nature of relationship
Palred Technologies Limited	India	Holding company
Palred Technology Services Private Limited	India	Fellow subsidiary
Palred Electronics Private Limited (PEP)	India	Fellow subsidiary
Palem Srikanth Reddy		Key Managerial Personnel (KMP)
MVLN Murthy		KMP
Ameen Khwaja		KMP
Sruthi Reddy		Relative of KMP

(b) Transactions with related parties

	For the period 17 May 2018 to 31 March 2019
Palred Technologies Limited	
-Issue of equity shares	20,400,000
-Reimbursement of expenses, net	11,864
Palred Electronics Private Limited	
-Purchase of stock-in-trade	44,279,285
-Business promotion expenses	10,509,008
-Purchase of business operations (refer note 23)	5,000,000
-Expenses incurred on behalf of Company, net	20,663
Palred Technology Services Private Limited	
-E-commerce fulfilment Service	7,071,092
-Expenses incurred on behalf of Company, net	220,846
Palem Srikanth Reddy	
-Issue of equity shares	580,000
MVLN Murthy	
-Issue of equity shares	15,500
Ameen Khwaja	
-Issue of equity shares	78,000
Sruthi Reddy	
-Rent	300,000

(c) Balances payable

	As at 31 March 2019
Palred Electronics Private Limited	8,875,599

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

23 Purchase of business functions from Palred Electronics Private Limited

Effective 1 October 2018, the Company has purchased the business functions of Order Trading Platform of Latest One, Ptron and Dazon from Palred Electronics Private Limited, a fellow subsidiary of the Company, in lieu of purchase consideration of ₹5,000,000. 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 distribution paid to Palred Technologies Limited, as an equity transaction.

	Amounts
Consideration paid to Palred Electronics Private Limited (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 transferred (B)	**(381,018)**
Distribution to Palred Technologies Limited (A-B)	**5,381,018**

24 Fair value measurements

(a) Financial instruments by category

	As at 31 March 2019	
	FVTPL	**Amortised cost**
Financial assets		
Cash and cash equivalents	-	5,914,656
Other financial assets	-	5,070,976
Total financial assets	-	**10,985,632**
Financial liabilities		
Trade payables	-	17,376,585
Other financial liabilities	-	5,047,933
Total financial liabilities	-	**22,424,518**

(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:

	As at 31 March 2019	
	Carrying amount	**Fair value**
Financial assets		
Cash and cash equivalents	5,914,656	5,914,656
Other financial assets	5,070,976	5,070,976
Total financial assets	**10,985,632**	**10,985,632**
Financial liabilities		
Trade payables	17,376,585	17,376,585
Other financial liabilities	5,047,933	5,047,933
Total financial liabilities	**22,424,518**	**22,424,518**

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.

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(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.

25 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 are responsible for overseeing the Company's risk assessment and management policies and processes.

A. Credit risk

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

Dues from collection agencies and other financial assets

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

On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for dues from collection agencies. The provision matrix takes into account available external and internal credit risk factors such as default risk of industry, credit ratings from credit rating agencies and historical experience for customers.

None of the Company's financial assets were past due or impaired as at the reporting period as the Company was incorporated during the current period ended 31 March 2019.

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 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 period :

Particulars	As at 31 March 2019
Current assets	23,314,354
Current liabilities	22,916,084
Working capital	398,270

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

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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 commodity prices). The Company's exposure to market risk is a function of revenue generating and operating activities.

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 period presented, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

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.

26 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. Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio. The gearing ratio as at 31 March 2019 is Nil.

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 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 Retail 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

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