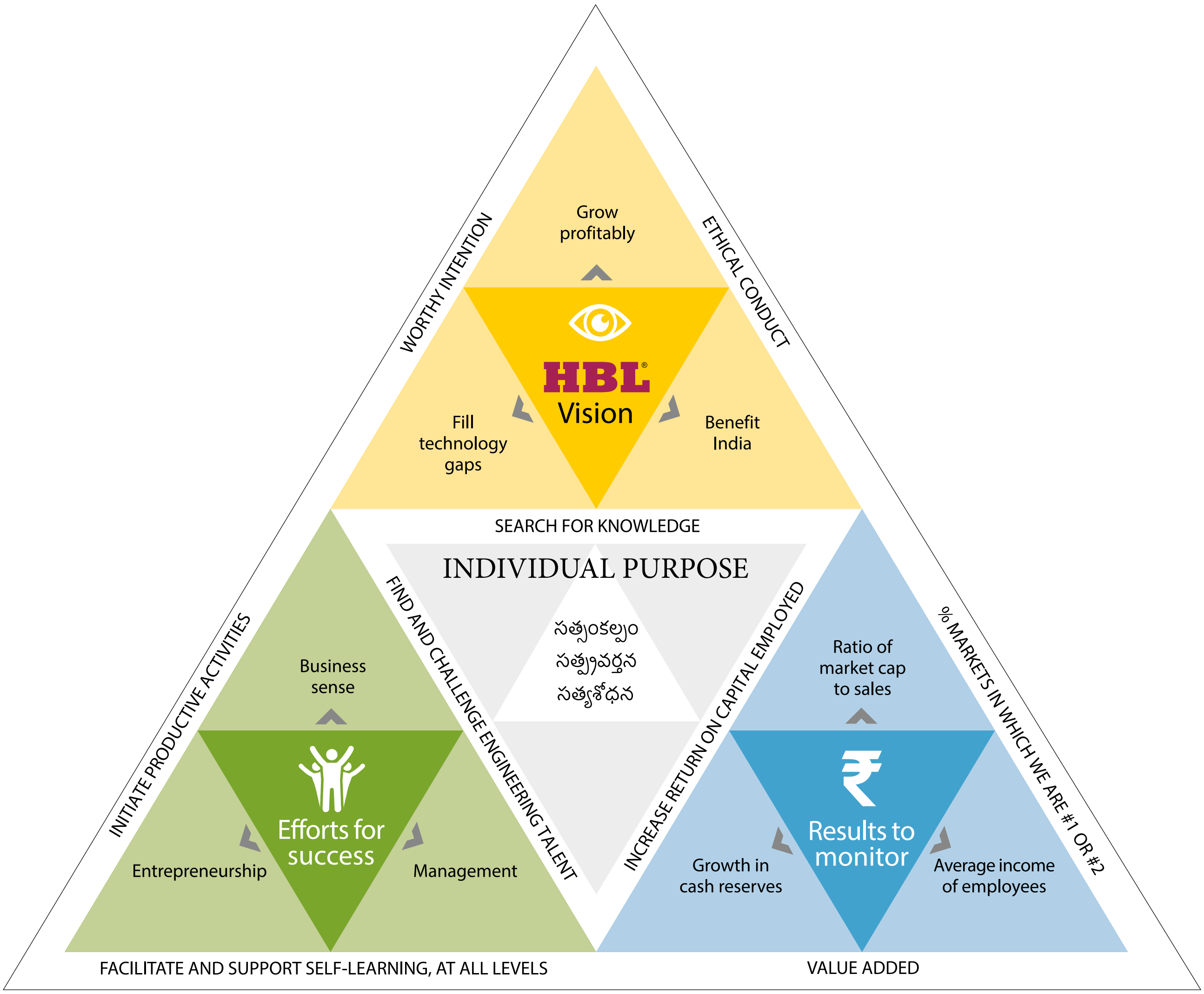

HBL®

**HBL Power Systems Limited**

Annual Report 2017-18




The triangle encapsulates the essence and being of HBL.
It crisply showcases the **'Who', 'Why', 'How'** and **'Where'** of the organisation.

- Who we are and Why we do what we do are embodied in the 'vision'
- How is captured in 'Efforts for Success
- Where reminds us of the results to be achieved

# Contents

# Nobody said it'd be easy

Nothing worth its salt ever is. And indeed, the transformation journey that we began two years ago met with its fair share of ups and downs as well.

And even as we started the year 2017-18 on a positive note, our progress was challenged by strong headwinds that completely altered the eco-system of India's telecom sector. We too were sucked into the whirlwind.

But then as is always said, whatever the circumstance, we always have a choice.

The choice to remind ourselves of the **"why"** behind the journey. The choice to keep our eyes on the **"where"** we aimed to reach. The choice to not doubt the **"how"** we decided to follow.

And most importantly, the choice to stay true to the **"who"** we have always been, deep within.

As the universal laws state: So without, so within.

Everything is a mirror. What we feel and believe inside is what manifests on the outside.

Hence, in spite of every reason being there to let concern feed on our mind, we chose to stand our ground, have faith in our journey and stay positive.

For we believe, the real battleground is always the mind. When we emerge victorious there, nothing in the world can impede our progress.

Nobody said this'd be easy. But certain journeys are worth the work!

# Snapshot

HBL Power Systems Limited (HBL) specialises in developing and manufacturing products and solutions for telecom, industrial, railways and defence applications.

Headquartered in Hyderabad (India), the Company's five fully integrated facilities manufacture batteries, electronics and engineered products based on in-house developed technologies. Its operations are spearheaded by Dr. A.J. Prasad and managed by an energetic team of enthusiasts.

In addition to catering to niche sectors namely telecom, UPS, solar, defence and railways in India, the Company's products are marketed across its expansive global footprint spanning 80+ countries. The export operations are managed by its wholly-owned subsidiaries (in Germany and North America), and ably supported by agents, distributors and re-sellers.

The Company's shares are listed on the BSE Limited and The National Stock Exchange of India Limited.

**NANDIGAON,**
Near Hyderabad, Telangana

**Product line:** 12V Monobloc – AGM, PLT, Gel and Flooded variants and SPV modules

**VIZIANAGARAM,**
Near Visakhapatnam, Andhra Pradesh

**Product line:** 2V – AGM VRLA and Tubular Gel

## Vision

To organise India's engineering talent into a globally competitive business, whether in manufacturing or services. Our choice is to be in businesses with technological challenges / engineering intensity.

## Values

- Fairness to all
- Innovative spirit
- Craftsmanship
- Entrepreneurial opportunism
- Development of individuals
- Harmonious co-existence

## Distinctiveness

- World's second largest supplier of Ni-Cd batteries
- Large supplier of telecom batteries in India
- Possess unique Pure Lead Tin (PLT) thin plate technology
- Major domestic supplier of batteries for varied defence applications
- Supplier of batteries for aviation – both civil and military aircrafts
- Pioneered a Train Collision Avoidance system and Train Management System for Railways
- Developed high precision artillery fuses
- Developing high efficiency Drive Train solution for e-buses
- Developing advanced technology power solutions for Light and Heavy weight torpedoes

**SHAMIRPET,**
Hyderabad, Telangana

**Product line:** Ni-Cd and specialty batteries and power electronics

**THUMKUNTA,**
Hyderabad, Telangana

**Product line:** Electronics

**SPECIAL ECONOMIC ZONE,**
Visakhapatnam

**Product line:** Ni-Cd batteries (for exports)

# *Our efforts, towards making our existing business stronger and our emerging business bigger, should deliver interesting returns going forward.*

*Dear shareholders,*

IT WAS A VERY INTERESTING YEAR FOR HBL.

WE STARTED THE YEAR ON A POSITIVE NOTE, REGISTERING HEALTHY GROWTH IN BUSINESS AND PROFITABILITY IN THE FIRST HALF OF THE FISCAL. BUT THE SECOND HALF WAS SUBDUED OWING TO THE IMPACT OF DISRUPTIVE CHANGES IN THE TELECOM SECTOR, WHICH CAST ITS SHADOW ON THE TELECOM BATTERY SPACE. AS A RESULT, DEMAND DECLINED AND COMPETITIVE PRICING ASSUMED CENTER STAGE. THE COMBINATION OF THESE FACTORS IMPACTED THE MAIN STREAM BUSINESS AND ITS PROFITABILITY.

## Despite these realities, we ended the year with HBL touching new highs-

- Highest revenue in our corporate journey
- Highest revenue from the telecom battery business
- Highest revenue from the mono-block batteries
- Market share in the telecom battery business inched up a few notches

However, the net profit remained at previous year level owing to the increased competitive intensity in telecom battery space.

We are pleased to mention that despite the prevailing volatility in the external eco-system, we improved business liquidity (cash flow from operations increased from Rs 42 crore in 2016-17 to Rs 157 crore in 2017-18) and strengthened organisational solidity (reduced debt by Rs 109 crore during the year with debt : equity of 0.43 times).

This satisfying performance was primarily owing to the on-going transformation initiatives focusing on fine tuning operational systems and processes at the shop floor, eliminating avoidable costs and unearthing new demand pockets.

## Moving ahead on our journey

Interestingly, fiscal 2017-18 was very satisfying not only from a performance perspective but also from a strategic standpoint. For the year gone by, highlighted the critical relevance of the transformation journey for HBL's survival, success and sustainability. It highlights the need for flanking business verticals to cushion adversities arising out of volatility in the core business unit, which we believe, will continue for the next couple of years.

It gives us immense satisfaction to state that we have made significant progress in our journey despite the prevailing volatility in the external eco-system.

**Batteries:** In 2017-18, we secured seismic certification from a US consulting firm for our 2V-VRLA batteries, an essential watermark of global acceptance of our products. This widens our opportunity canvass beyond the Indian shores and would de-risk our telecom battery business, which currently depends only on the Indian market for its progress. Moreover, we are exploring the opportunity of consolidating our capacities to increase fungibility. This will allow us to swing capacity in favour of products which are in high demand.

**Electronics:** We take great pride in mentioning that our team successfully commissioned the country's first ever indigenous Train Management System (TMS) in the Howrah division of Eastern Railways. This success showcases our unwavering commitment to our core ethos of filling in technology gaps prevalent in India with our expertise and energy. We are hopeful of securing larger business based on this showpiece from other divisions of the Indian Railways.

Further, having secured all necessary approvals for our pioneering Train Collision Avoidance System (TCAS), we are completely ready for participating in the upcoming tender from the Indian Railways. The satisfying aspect being that after years of patient persuasion, the Indian Railways and the Government have finally decided to encourage TCAS as India's national train control system. This, over time, could be a game changer for HBL.

**Defence:** Having gained significant equity with the Indian Defence, we resolved to strengthen our ties further towards a more meaningful business relation. Towards this end, we are laying the foundation of a new business vertical which will manufacture rockets and other ammunition for the Indian Defence forces.

We appreciate the Board's approval of this project and their sanctioning an initial investment of Rs 50 crore for this initiative. We have purchased the land for the facility and civil works are in progress. We have also participated in a large tender for supply of rockets and artillery fuses to Indian Army and remain positive on securing volumes from this opportunity. Going forward, we would also explore opportunities for developing and delivering ammunition needs of defence forces of several other countries.

WE APPRECIATE THE BOARD'S APPROVAL OF THIS PROJECT AND THEIR SANCTIONING AN INITIAL INVESTMENT OF RS 50 CRORE FOR THIS INITIATIVE. WE HAVE PURCHASED THE LAND FOR THE FACILITY AND CIVIL WORKS ARE IN PROGRESS. WE HAVE ALSO PARTICIPATED IN A LARGE TENDER FOR SUPPLY OF ROCKETS AND ARTILLERY FUSES TO INDIAN ARMY

**E-mobility:** In keeping with our philosophy of identifying technology-gaps for developing sustainable business verticals, we have identified e-mobility as the next strategic direction for HBL. This is especially interesting as this business space promises a plethora of opportunities which cannot be completely envisioned today. As a start, we will focus on the public transport buses. We plan to develop and offer complete drive train solutions comprising motors, controllers, batteries and battery chargers.

## Staying Positive

Our efforts, towards making our existing business stronger and our emerging business bigger, should deliver interesting returns, going forward.

We are prudently strengthening our existing batteries business to make it more resilient to external vagaries, and aggressively developing our flanking businesses (electronics and defence) to transform them into an important growth catalyst over the coming years.

While we understand that returns from battery business vertical is currently challenged, and that returns from the strategic initiatives will not be immediate, we are staying positive that the ultimate outcome, aided by our transformation journey, would reposition HBL into a new growth orbit.

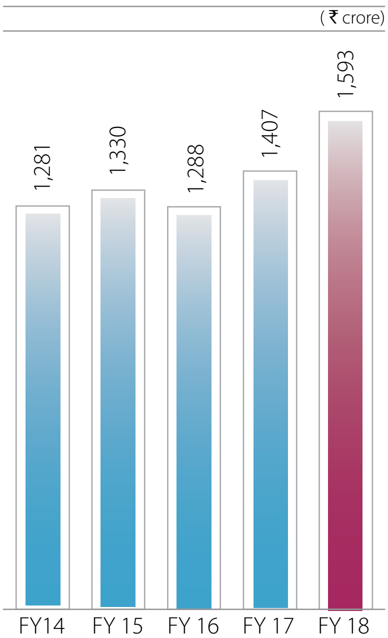
We take this opportunity to extend our sincere appreciation to our valued customers, suppliers, employees, selling agents, shareholders, bankers and the state and central government for the support, encouragement and motivation extended to us. We also thank our colleagues on the Board for their invaluable advice and guidance.

*Warm regards,*

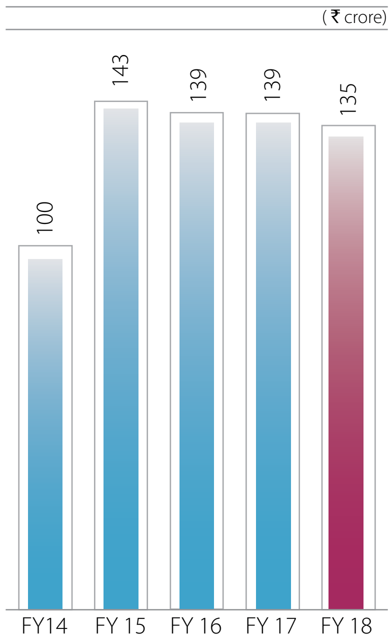
**The management team**

# Highlights, 2017-18

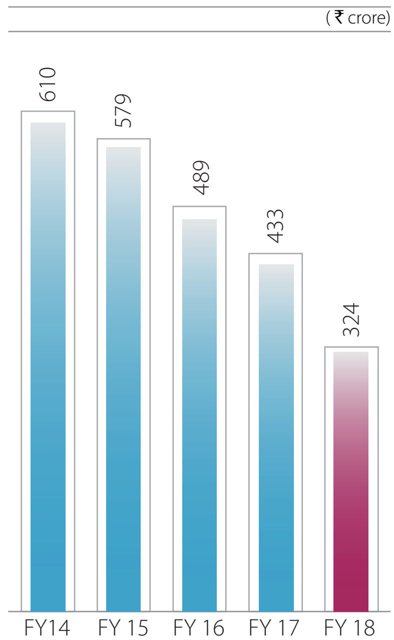
## Financial highlights



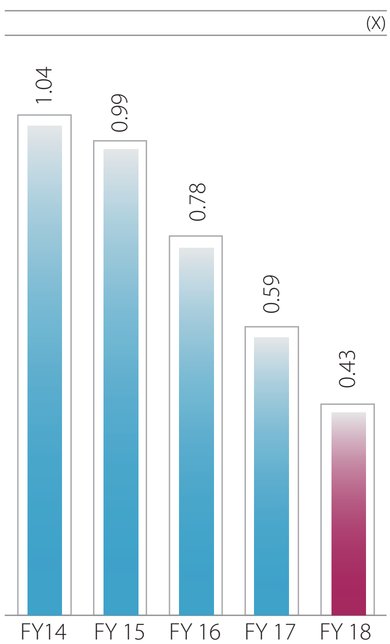

Net Revenue



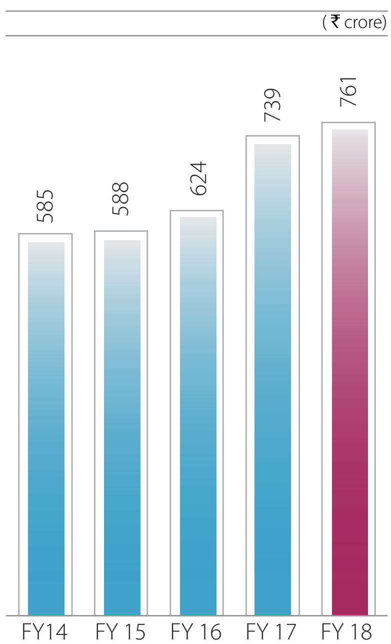

EBIDTA*



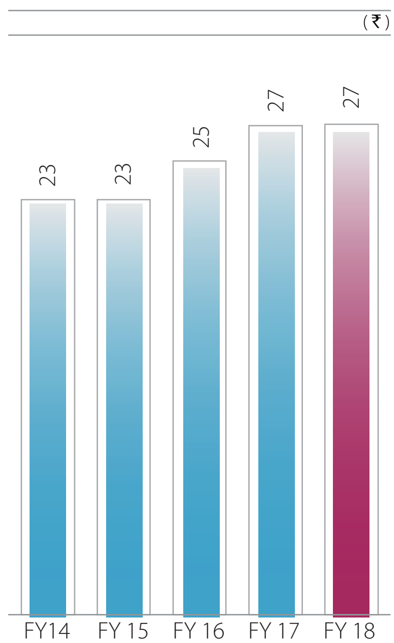

Net Debt




Debt: Equity




Networth




Book value

* EBITDA excludes profit/loss on sale of investments and impairment in value of investments

Net revenue grew by 13% to ₹ 1,593 crore – the highest in the history of the Company

Net profit before tax remained stable, despite cost escalation and price erosion, aided by enhanced efficiency

Reduced net debt from ₹ 433 crore to ₹ 324 crore; debt-equity ratio improved from 0.59 to 0.43

Cash flow from operations has significantly improved in 2017-18 – stood at ₹ 157 crore against ₹ 42 crore in 2016-17, despite strain on working capital due to higher GST @ 28% on batteries.

**2,000+**
Team Size

**1,593**
Revenue, 2017-18 (Rs crore)

**135**
Operating Profit 2017-18 (Rs crore)

**52**
Profit Before Tax 2017-18 (Rs crore)

**1,218**
Market capitalisation, March 31, 2018 (Rs crore)

**761**
Net worth, March 31, 2018 (Rs crore)

## Business highlights

### Batteries

- Net revenue from the batteries vertical grew by 17%
- Enhanced market share in telecom, despite stiffer competition
- Touched ₹ 125+ crore sales through Channel
- Secured seismic certification from US consulting firm for 2V-VRLA batteries, to support exports
- Received certification for Ni-Cd battery for use in Bombardier business jet(s) to be introduced in CY 2018
- Sustained the focus on battery manufacturing infrastructure improvements

### Electronics

- Secured all approvals for Train Collision Avoidance System (TCAS) readying the Company for participation in upcoming tender from Indian Railways
- Commissioned the country's first ever indigenous Train Management System (TMS) in Howrah division of Eastern Railways
- Developed proto-type of battery charger (meant for charging stations) for E-Vehicles
- Made substantial progress in developing the drive train solution for electric buses
- Completed the last phase of execution of Digital Control Harness (DCH) orders for 7,000 armoured vehicles from Indian Army

### Defence

- Secured first order for PLT aircraft battery from Indian Airforce for BAE Hawk Mk-132 Aircrafts
- Participated in a large tender for supply of rockets and artillery fuses to Indian Army
- Made good progress in developing advanced technology power solutions for Light and Heavy weight torpedoes for Indian Navy

# Management discussion and analysis

## Economic overview

Fiscal 2017-18 was a defining year for the Indian economy.

India took the bold step of completely resetting its indirect tax system to a comprehensive GST regime. While this path-breaking change led to a short-term decline in India's economic progress, the nation bounced back aggressively to report a 7%-plus growth in the second half of the year, and~7.7% in the three months ended 31 March 2018, signaling a strong turnaround and reclaiming its position as the fastest growing major economy of the world. Gross fixed capital formation, a proxy for investment demand in the economy, expanded at a double-digit pace (14.4%) after a gap of seven quarters, signaling a revival in investment activities.

Despite the economic resurgence, headwinds faced by the telecom sector intensified owing to free call and data regime (for a fixed amount) initiated by the most recent entrant in the telecom space. This has resulted in reduced revenue, growing losses and a huge debt pile in telecom sector and has forced a consolidation in the telecom space - 10+ service providers from a year ago have shrunk to only four.

Inflation concerns have forced the Reserve Bank of India to raise the repo rate two times in the first half of the current year. The move makes money more expensive in the world's fastest growing major economy.

While maintaining GDP growth projection at 7.4% in 2018-19, the central bank raised its inflation estimates to 4.8% from 4.7% for the second half of 2018-19 and 5% inflation rate for first quarter of 2019-20.

Going forward, the investment climate in the country is expected to remain tepid, owing to the possibility of the Government initiatives being deferred due to the forthcoming General Elections in May 2019.

## The high points for 2017-18

- India emerged as the most competitive country in South Asia, appearing at No. 40 in the global competitiveness ranking of 137 countries by the World Economic Forum.
- India jumped up 30 notches into the top 100 rankings on the World Bank's 'ease of doing business' index, consequent to major improvements in indicators such as resolving insolvency, paying taxes, protecting minority investors and getting credit.
- India topped management consulting firm AT Kearney's 2017 Global Services Location Index for the eighth consecutive year and extended its lead over other countries from 0.47 last year to 0.76 in 2017.

## Business overview

In its four-decade journey, HBL's business model is pivoted on one reality - identifying technology gap in India which could be filled in by the Company through indigenous efforts. This single passion has enabled the Company to create the world's widest range of specialised batteries. Taking this passion ahead, the Company leveraged resident expertise and experience to capitalise on new opportunities. In doing so, it moved into new businesses and markets such as industrial electronics, defence electronics, and railway electronic signalling.

## Business verticals

| Batteries | | Electronics | Defence |
|---|---|---|---|
| **Lead-acid** | **Nickel Cadmium** (Ni-Cd) | Industrial electronics | Batteries |
| Telecom | Oil & Gas | Rail signalling | Ammunition |
| Railways | Power | Defence electronics | |
| UPS | Railways | Permanent magnet machines | |
| Power & Industries | Aviation | | |

# Batteries

HBL's batteries are manufactured at its four, fully-integrated facilities in Andhra Pradesh and Telangana. The batteries business is the key revenue spinner for the Company, accounting for more than 80% of its revenue. Within the battery vertical the telecom sector is the largest revenue generator – HBL is the second largest supplier of batteries to the Indian telecom sector.

In fiscal 2017-18, the batteries vertical registered a robust 17% revenue growth. This was primarily on account of an increased market share in the telecom sector and growing demand for its UPS and solar batteries.

Our 2V-VRLA batteries which are used in the telecom sector and the Indian Railways registered its highest volumes. The Mono block batteries which are used in UPS, solar and train lighting applications also achieved the highest volumes, owing to increasing product acceptance in the market. Moreover, the channel business, which marks the Company's retail presence in the domestic market also recorded its highest revenue at Rs 125+ crore in 2017-18.

Despite healthy revenue growth, profitability remained muted owing to distortion in the telecom sector, which has resulted in large-scale consolidation. This has created a demand supply-imbalance which mandated competitive pricing to secure and grow market share. Notwithstanding these challenges, the Company made important progress to strengthen its forte in other lead acid products.

During the year, the Company made encouraging in-roads into the UPS segment with its redesigned UPS batteries and specially designed PLT batteries for Data Centre applications. The Company has secured approvals from various banks and OEMs, which augurs well for scaling up UPS battery business in the years to come.

The business with Cummins for PLT batteries for DG cranking application, under the white label program continued at a healthy pace.

The high performance PLT batteries are undergoing field trials for use in varied defence applications – heavy transportation vehicles and battle tanks, for which approvals are expected in the next 12 months.

In solar space, the Company continues to be one of the leading suppliers of Low Maintenance Lead Acid and Tubular Gel Batteries to various Nodal agencies under MNRE initiatives. During the year, the Company improved its volume considerably backed by the product performance and closer engagement with integrators.

The export revenue witnessed healthy growth as demand for Ni-Cd (Nickel Cadmium) batteries from the UPS sector continued at a healthy pace.
Moreover, the Company continued to focus on expanding its product basket for strengthening its export business with considerable success. During the year, the Company received the seismic approval for its 2V-VRLA batteries from a US consulting firm. This, coupled with the UL approval in 2016-17, opens the door to export these batteries for telecom and UPS applications. It also de-risks export growth from an excessive dependence on a single product – Nickel Cadmium.

The channel business witnessed an impressive progress in establishing a visible presence in the domestic market. The revenue from this vertical has recorded 40% growth over the previous year. The Company will support the channel network with necessary channel financing arrangement and enhanced supplies. The Channel has seed-marketed the PLT batteries for DG cranking application and redesigned e-rickshaw batteries through its net-work. The heartening acceptance of these batteries in the retail space will help the channel vertical to further enhance its scale in the years to come.

To improve efficiency and facilitate capacity fungibility among various lead acid battery products, the Company will explore opportunities of consolidating manufacturing infrastructure to support high demand products by switching surplus capacities arising from moderating demand from telecom sector.

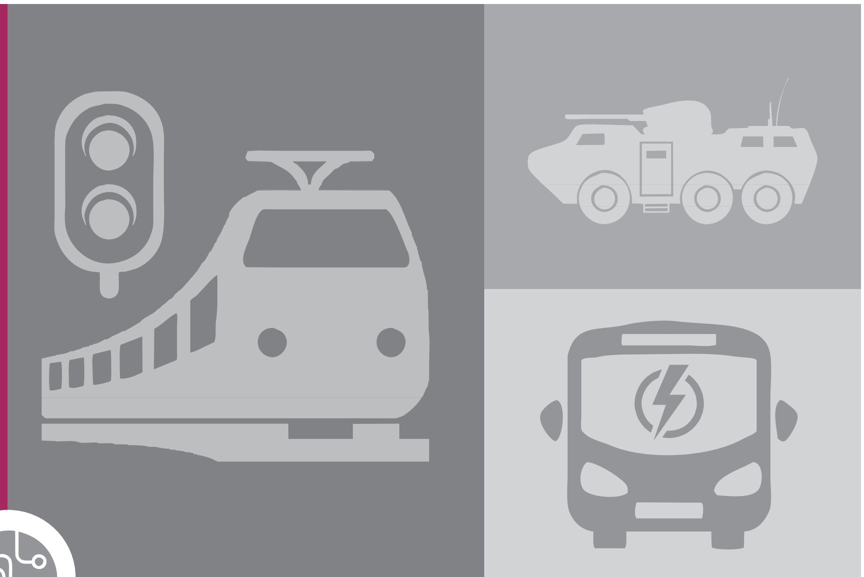
OUR 2V-VRLA BATTERIES WHICH ARE USED IN THE TELECOM SECTOR AND THE INDIAN RAILWAYS REGISTERED ITS HIGHEST VOLUMES. THE MONO BLOCK BATTERIES WHICH ARE USED IN UPS, SOLAR AND TRAIN LIGHTING APPLICATIONS ALSO ACHIEVED THE HIGHEST VOLUMES.

## Priorities for the current year

- Protect market share in telecom space despite growing competition
- Enhance UPS and Solar battery business
- Secure approval for PLT batteries for army vehicles and battle tanks
- Widen channel network and grow retail sales
- Enhance business with global OEMs for Ni-Cd pocket plate batteries
- Generate demand in target export markets for 2V-VRLA batteries
- Explore option of manufacturing infrastructure consolidation to leverage flexibility and efficiency

**SBU-2**

# Electronics



Having delivered niche batteries for the Indian Railways and Indian Defence, leveraging in-house technology, HBL has grasped few more opportunities to showcase its technology prowess in developing electronic solution for these Government agencies. The Company prudently organised this business unit into three segments namely Railway Electronics, Defence Electronics and Industrial Electronics. This allowed for unwavering focus on customising solutions for niche applications.

Railway Electronics: The Company has two key products in this segment, namely the Train Collision Avoidance System (TCAS), and the Train Management System (TMS). There are other products to form a complete suite.

Fiscal 2017-18 has been eventful for the Railway electronics division due to important milestone achievements for both its products TCAS and TMS.

For the TCAS, the Company received the safety audit report from ItalCertifer (Italy). With this, the Company will have all the approvals necessary to commercialise this product. The sanctioned tender, for fixed block signaling at train speeds of 110 kmph, in a 1,200kms stretch of South Central Railway is expected to be tendered in Q3 of FY19. The Company is confident of securing due share of business from this opportunity.

Further, the Indian Railways and the Government have decided to encourage TCAS as India's national train control system. They have asked TCAS developers to integrate TCAS with other signaling systems to improve traffic throughput on the railways network. Aligned to this goal, the RDSO has initiated work on TCAS Phase II – a solution to support train speeds of 160 kmph and interface with automatic signaling systems. The Company is actively participating in these developments.

During the year under review, the Company successfully commissioned the TMS in Howrah Division of Eastern Railway and customised it to meet the new requirement of Railways for integration with Controller Office Application (COA). Having witnessed the benefit of this pioneering solution, the Indian Railways have proposed the installation of TMS in other divisions of the East Coast Railway in FY19, for which necessary budgetary allocation is provided. The Company has also offered its TMS solution for several Dedicated Freight Corridor (DFC) projects, which are expected to be finalised in FY19. These opportunities should yield attractive returns for the Company, going forward.

Being a preferred supplier of Integrated Power Supply (IPS) systems to Indian Railways, the Company is well positioned to garner major business share and grow this segment consistently.

Defence Electronics: The Company's deep knowledge, wide capability (Built to Print and Built to Specification), cutting-edge technology and sophisticated infrastructure enable it to support foreign companies to meet their obligations under the offset-clause.

During 2017-18, the Company successfully completed the last phase of supplies of the contract for supplying communication system, namely Digital Control Harness (DCH), for around 7,000 armoured vehicles of the Indian Army. More importantly, this system has now become the de facto intra-vehicular and inter-vehicular communication system in the Army. All new vehicles being manufactured at Ordnance Factory, Medak and Heavy Vehicles Factory, Chennai, are being fitted with this communication system. The Company has received repeat orders from Ordnance Factory, Medak, for supplying new systems in FY19. Moreover, Combat Vehicles Research and Development Establishment (CVRDE) Chennai is also evaluating the Company's DCH for its new platforms under development.

Having successfully delivered one solution, the Company is strengthening its association with the Indian Defence. The team is developing new radio frequency based communication systems that have far reaching usage in the industrial and military applications. These solutions are expected to get into mainstream deployment within the next few years.

Industrial electronics: The Company is a leader in the manufacturing and supplying of analog thyristor controlled battery chargers for more than 25 years. The Company has introduced a new range of digitally controlled thyristor chargers with advanced communication and remote monitoring and control features. The Company is continuing its effort to develop IGBT controlled battery chargers, which give higher efficiency and are smaller in footprint. These efforts are expected to result in higher volume and better profitability.

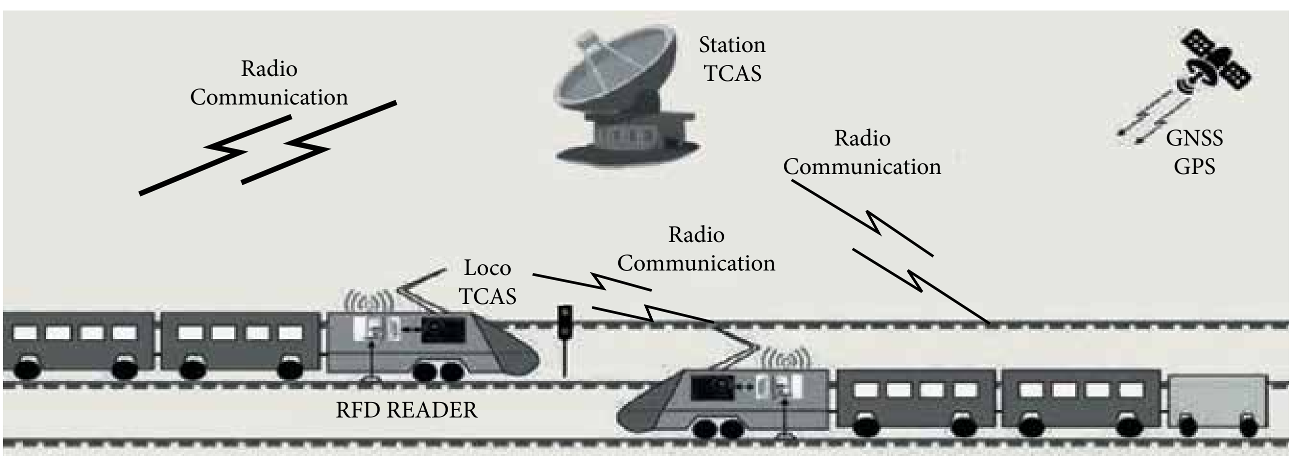
E- Mobility: As the call for electric mobility grew louder pan India, the Company spotted the opportunity gap in this logistics transformation. Motors, Power Electronics Controllers and Batteries are the core technology components that drive electric mobility. Over the past two years, the Company has succeeded in developing technology for high-efficiency permanent magnet motors and alternators, and associated controllers, for electric mobility solution. The initial product offerings are ideally suited for urban public transportation that is characterised by stop-and-go traffic on fixed routes. A prototype vehicle is developed and is going through factory testing. The Company has initiated work with regulatory agencies to complete type approvals, before undertaking on-road testing.

In continuing to support India in its drive towards electric mobility, the Company has developed battery chargers for public use, conforming to the Automotive Industry Standards of India. These chargers will be offered for type approval of Automotive Research Association of India (ARAI) in the current year.

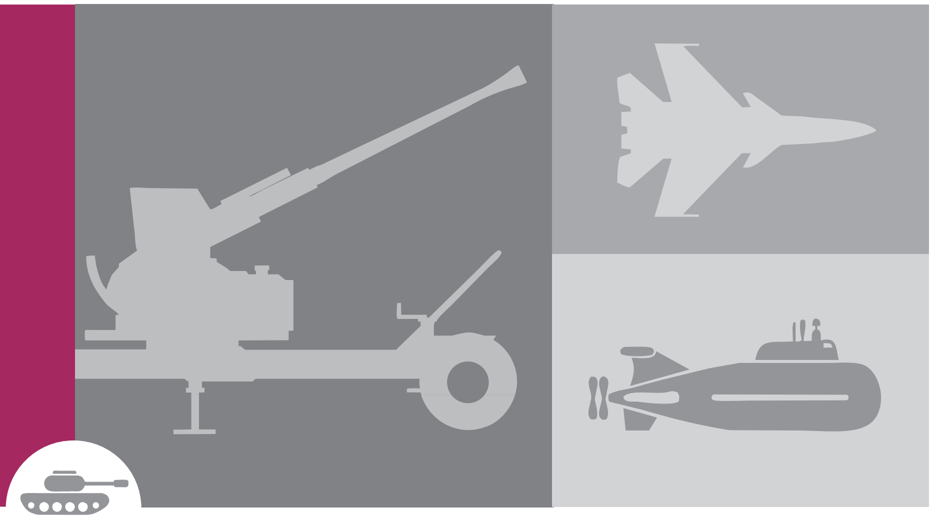
HBL'S SIGNALING PRODUCTS COMPREHENSIVELY MEET APPLICABLE RDSO SPECIFICATIONS AND CENELEC STANDARDS.

## Priorities for the current year

- Fortify IPS and Industrial battery chargers business
- Enhance shop floor efficiency and delivery compliance
- Secure maiden order for TCAS
- Promote TMS among other divisions of Indian Railways
- Obtain type approval of ARAI for chargers for e-vehicles
- Pursue development of drive train solution for e-buses
- Make stride in development of new radio frequency based communication system.



# Defence



HBL is the largest battery manufacturer in India for defence sector. Over the years, the team has developed a large product basket of batteries customised for various applications.

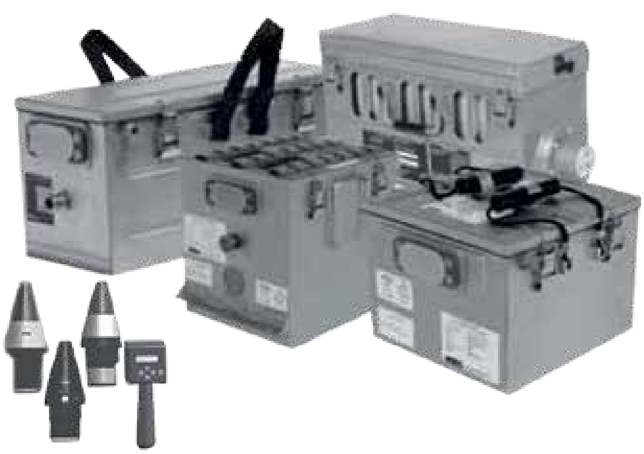
Fiscal 2017-18 was an exciting one for the Defence unit.

The Company received its first order for PLT aircraft battery from Indian Airforce for BAE Hawk Mk-132 Aircraft. The Company has already secured approvals for the kilo-class and Scorpene submarines. This watermark allows the Company to participate in tenders issued by the Indian Navy. In addition, the Company was also short-listed for developing batteries for kilo-class (type 2) submarines. This development holds considerable promise, and provides the impetus to focus on this high value, yet uncluttered market space across the globe to garner additional volumes.

The Company is in the process of completing the development of advanced technology power solutions for Light Weight Torpedoes (LWT) and Heavy Weight Torpedoes (HWT) for the Indian Navy.

In addition, the Company made important headway towards its goal of being a reliable supplier of ammunition - electronic artillery fuses and rockets to the Indian Defence. The team secured the Board's approval for this project and their consent for investing ₹ 50 crore in setting up this vertical. Having purchased land for the proposed project, the Company commenced civil works for its facility.

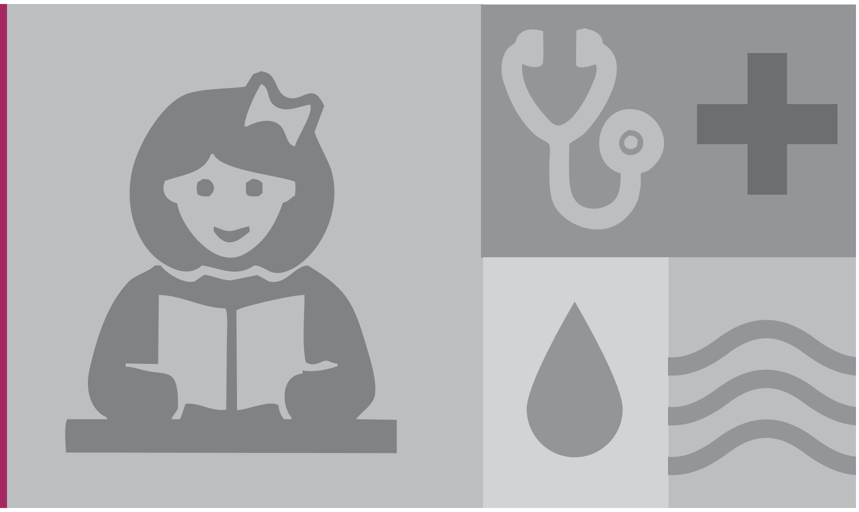
The Company has participated in a large 10 years tender for supply of rockets and artillery fuses to the Indian Army. If the Company is successful, this tender will provide large volumes for a period of ten years. This facility will also cater to export requirements, beyond domestic needs.



## Priorities for the current year

- Secure development order for Type-2 Kilo-Class submarine batteries from Indian Navy
- Complete establishment of manufacturing infrastructure for ammunition
- Development of power solutions for LWT and HWT torpedoes for the Navy

# Corporate Social Responsibility



## FOR A BETTER INDIA AND A HAPPIER INDIAN

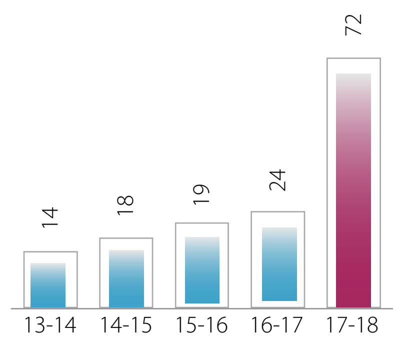
HBL had put in place a viable socio-development program addressing key societal needs of healthcare, primary education, availability of potable water and sanitation – making an enduring impact on the lives and livelihoods of people around its operations.

**Healthcare:** In keeping with its belief that healthy children are forerunners of an enthusiastic and energetic society, The Company supports child welfare centers in local communities by providing safe, nutritious and wholesome meals to children in 3-6 age group.

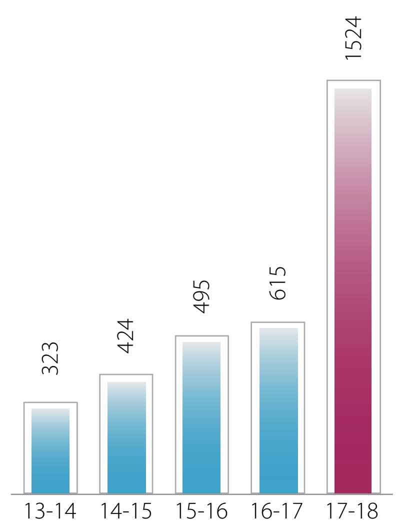
**Education:** Girl child education has been an intervention which has always been high on the Company's socio-development priority list. The Company continues to passionately support this initiative by providing scholarships to encourage them to pursue higher education. The Company also supports pre-primary and primary education by providing learning aids, sponsoring teachers and creating a joyful school environment, thereby drawing kids to attend school.

**Potable water:** The Company is working with local communities to create and maintain facilities that enable access to safe, potable water to local communities.

**Sanitation:** The Company has been conducting periodic programs and workshops among the local communities to educate them on the benefits of good sanitation practices. As a supplementary activity, the Company is helping them by devising waste collection and management mechanisms and by providing garbage collection vehicles. These initiatives have resulted in significant improvements in sanitation levels in the local communities.




Number of Centers




Lives touched

# STATUTORY
Reports

# **Corporate** Information

## Board of Directors

| | | |
|---|---|---|
| Dr. A J Prasad | - | *Chairman & Managing Director* |
| M S S Srinath | - | *Whole Time Director* |
| Kavita Prasad | - | *Whole Time Director (from 10.08.2018)* |
| P Ganapathi Rao | - | *Independent Director* |
| Preeti Khandelwal | - | *Independent Director* |
| Ajay Bhaskar Limaye | - | *Director* |
| Mitin Jain | - | *Director (up to 10.08.2018)* |
| K V Sriram | - | *Independent Director (w.e.f. 07.02.2018)* |
| Richa Datta | - | *Independent Director (w.e.f. 15.03.2018)* |
| M Chandra Mohan | - | *Independent Director (w.e.f. 10.08.2018)* |
| Abhishek G Poddar | - | *Director (w.e.f. 10.08.2018)* |

## Audit Committee

| | | |
|---|---|---|
| P Ganapathi Rao | - | *Chairperson* |
| M S S Srinath | - | *Member* |
| Preeti Khandelwal | - | *Member* |
| K V Sriram | - | *Member* |
| Richa Datta | - | *Member* |

## Chief Financial Officer

Kavita Prasad

## Company Secretary

MVSS Kumar

## Bankers

State Bank of India
Axis Bank Limited
ICICI Bank Limited
HDFC Bank Limited
IDBI Bank Limited

## Statutory Auditors

M/s. Rao & Kumar
Chartered Accountants
10-19-15, Soudamani, Siripuram
Visakhapatnam-530 003

## Cost Auditors

M/s. Narasimha Murthy & Co.
Cost Accountants, Hyderabad - 500 029

## Registered Office:

8-2-601, Road No 10,
Banjara Hills, Hyderabad – 500 034
CIN: L40109TG1986PLC006745
Phone: 040-23355575, Fax: 040-23355048
E-Mail: contact@hbl.in; investor@hbl.in

## Registrar and Share Transfer Agents

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500 032.
Tel : +91 040 67161530
E-mail: mailmanager@karvy.com

# Notice

Notice is hereby given that the Thirty Second Annual General Meeting of the members of HBL POWER SYSTEMS LIMITED will be held at KLN Prasad auditorium, Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on Thursday, September 27, 2018 at 4.00 p.m. to transact the following business.

## ORDINARY BUSINESS:

1. To receive, consider and adopt the audited financial statements (standalone and consolidated) of the Company for the financial year ended March 31, 2018 together with the reports of the Board of Directors and Auditors thereon.

2. To declare dividend for the year ended March 31, 2018.

3. To appoint a director in place of Mr. MSS Srinath who retires by rotation and is eligible for re- appointment.

4. To appoint auditors for the year 2018-19 till the conclusion of the next Annual General Meeting (AGM) and to authorize the Board to fix their remuneration.

   "RESOLVED that pursuant to the provisions of Section 139 and any other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 as amended from time to time, and on recommendation of the Board of Directors (including Audit Committee of the Board), M/s. Rao & Kumar, Chartered Accountants, Visakhapatnam (ICAI Firm Registration No. 03089S) who were appointed as statutory independent auditors of the Company at the 31st Annual General Meeting (AGM) held in 2017 and hold office for a period of five years until the conclusion of the 36th AGM of the Company to be held in the year 2022, be and are hereby ratified to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting on such remuneration and reimbursement of out of pocket expenses (if any) as may be determined by the Board of Directors of the Company."

## SPECIAL BUSINESS:

5. **Approval of charges for service of documents on the Members through a particular mode.**

   To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to Section 20 of the Companies Act, 2013 and the Rules made thereunder (hereinafter referred to as 'the Act'), consent of the Company be and is hereby accorded to the Board of Directors of the Company to serve document(s) on Member(s) of the Company by ordinary post or registered post or speed post or courier, by electronic mode, or by delivering at their address, or by any other mode prescribed under the Act or as desired by Member(s) from time to time, provided such request along with requisite fees has been duly received by the Company in advance equivalent to the estimated actual expenses of delivery of the documents, pursuant to any request made by the Member(s) for delivery of such document(s) at least 10 working days in advance of despatch of documents by the Company to the Member(s).

   RESOLVED THAT upon request of Member(s) for delivery of any document(s) through a particular mode, the Company do serve the same to the Member(s) through that particular mode and/ or charge such fees which shall not be more than the amount incurred by the Company to the Department of Post or any such service provider(s) including related handling charges, if any, to deliver the documents in a particular mode.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to amend or alter such charges from time to time either keeping in view the change of charges as applicable to that mode or in any situation so warrants and to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. **Appointment of Mr. Karipineni Venkata Sriram as an Independent Director.**

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Karipineni Venkata Sriram (DIN: 00073911), who was appointed by the Board of Directors as an Additional Director of the Company with effect from February 07, 2018 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ("Act") and Articles of Association of the Company be and is hereby appointed as Director of the Company.
   RESOLVED FURTHER THAT pursuant to the provisions

of Sections 149, 152 and other applicable provisions, if any, of the Act and the Companies (Appointment and Qualifications of Directors) Rules, 2014, read with Schedule IV to the Act, as amended from time to time, the appointment of Mr. Karipineni Venkata Sriram (DIN: 00073911), who meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and who has submitted a declaration to that effect, and who is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation, for a term of five years commencing February 07, 2018 to February 06, 2023, be and is hereby approved."

7. **Appointment of Mrs. Richa Datta as an Independent Director**

   **To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:**

   "RESOLVED THAT Mrs. Richa Datta (DIN: 08084501), who was appointed by the Board of Directors as an Additional Director of the Company with effect from March 15, 2018 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ("Act") and Articles of Association of the Company be and is hereby appointed as Director of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Act and the Companies (Appointment and Qualifications of Directors) Rules, 2014, read with Schedule IV to the Act, as amended from time to time, the appointment of Mrs. Richa Datta (DIN 08084501), who meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and who has submitted a declaration to that effect, and who is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation, for a term of five years commencing March 15, 2018 to March 14, 2023, be and is hereby approved."

8. **Appointment of Mr. Madireddi Chandra Mohan as an Independent Director**

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Madireddi Chandra Mohan (DIN: 00633439), who was appointed by the Board of Directors as an Additional Director of the Company with effect from August 10, 2018 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ("Act") and Articles of Association of the Company be and is hereby appointed as Director of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Act and the Companies (Appointment and Qualifications of Directors) Rules, 2014, read with Schedule IV to the Act, as amended from time to time, the appointment of Mr. Madireddi Chandra Mohan (DIN 00633439), who meets the criteria for independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and who has submitted a declaration to that effect, and who is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation, for a term of five years commencing August 10, 2018 to August 09, 2023, be and is hereby approved."

9. **Appointment of Mr. Abhishek G Poddar as a Director**

   To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Abhishek G Poddar (DIN 07143528), who was appointed by the Board of Directors as an Additional Director of the Company with effect from August 10, 2018 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ("Act") and Articles of Association of the Company be and is hereby appointed as Director of the Company."

10. **Appointment of Mrs. Kavita Prasad as a Director**

    To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

    "RESOLVED THAT Mrs. Kavita Prasad (DIN 00319292), who was appointed by the Board of Directors as an Additional Director of the Company with effect from August 10, 2018 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ("Act") and Articles of Association of the Company be and is hereby appointed as Director of the Company."

**11. Appointment of Mrs. Kavita Prasad, Chief Financial Officer (CFO) as a Whole-Time-Director**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of the Articles of Association of the Company and all applicable guidelines issued by the Central Government from time to time and subject to such other approvals, as may be necessary, consent of the Members be and is hereby accorded for the appointment of Mrs. Kavita Prasad (DIN: 00319292), as a Whole- time Director of the Company (who is also holding office of Chief Financial Officer (CFO) in terms of Section 2(19), 2(51) read with 203 of the Companies Act, 2013 and rules made thereunder) for the period and upon the following terms and conditions including remuneration with further liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted / to be constituted by the Board) from time to time to alter the said terms and conditions of appointment and remuneration of Mrs. Kavita Prasad in the best interests of the Company and as may be permissible by law, viz.:

I. Period : 5 (five) years with effect from August 10, 2018

II. Basic Salary: Not exceeding ₹ 50,00,000/- per annum and other allowances as per Company policy, which includes Perquisites as below.

III. Perquisites:

a. House Rent Allowance or Provision of House Accommodation subject to maximum monthly rent at 40% of the basic salary.

b. Reimbursement of salary of a driver engaged by the appointee for official duties

c. Leave Travel Allowance: Actual traveling expenses incurred for self and dependents, not exceeding one month's basic salary for every year of Service.

d. Reimbursement of medical expenses incurred by self and dependents not exceeding one month basic salary for every year of service.

e. Annual Leave with salary as per the rules of the Company.

f. Company's contribution to Provident Fund and Gratuity as per the rules of the Company.

g. Provision of a car for the use of Company's business and mobile phone, telephone at residence will not be considered as perquisites.

h. Notwithstanding anything mentioned above, wherein any financial year during the currency of tenure of the Whole Time Director, the Company has no profit or its profits are inadequate it may pay remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration under Schedule V of the Companies Act, 2013.

i. Other Terms: The appointment is subject to determination by giving three month notice by either party or other rules and regulations of the Company.

j. Nature of Duties: Mrs. Kavita Prasad shall carry out such functions, exercise such powers and perform such duties as the Board and the Chairman and Managing shall, from time to time, in their absolute discretion determine and entrust to her.

RESOLVED FURTHER THAT Mrs. Kavita Prasad, Director shall be entitled to reimbursement of actual travelling, boarding, lodging, entertainment and any incidental expenses in India or abroad, incurred by her in connection with company's business purposes.

RESOLVED FURTHER THAT pursuant to the provisions of sections 188(1)(f) of the Companies Act, 2013 read with Companies (Meeting of Board and Its Powers) Rules, 2014 and other applicable provisions, if any, of the Companies Act, 2013 including statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted from time to time, the consent of Members be and is hereby accorded to the appointment of Mrs.

Kavita Prasad as Chief Financial Officer of the Company w.e.f. August 10, 2018, holding office or place of profit as a relative of Chairman and Managing Director, Dr. A J Prasad and Mr. MSS Srinath, Whole Time Director and that any remuneration paid to her during the period from the date of appointment be and is hereby approved and ratifed.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorised to take all steps as may be necessary to give effect to this resolution and to do such acts, deeds, matters as in its absolute discretion it may consider necessary and expedient in the best interest of the Company

12. **Approval to borrow in excess of the paid-up capital and free reserves.**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the earlier resolution passed by the Members of the Company through a postal ballot in the year 2011, the Board of Directors of the Company be and is hereby authorized in accordance with the provisions of Section 180(1) (c) and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), to borrow periodically, including without limitation, from any Banks and/or public financial institutions as defined under Section 2(72) of the Companies Act, 2013 and/or any foreign financial institution(s) and/or any entity/entities or authority/ authorities and/or through suppliers credit securities instruments, such as floating rate notes, fixed rate notes, syndicated loans, debentures (both convertible and non-convertible), commercial papers, short term loans, working capital loans, or any other instruments etc. and/or through credit from official agencies and/or by way of commercial borrowings including external commercial borrowings from the private sector window of multilateral financial institutions, either in Indian Rupees or in such other foreign currencies as may be permitted by law from time to time, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed the aggregate of the paid-up share capital of the Company; its free reserves (that is to say reserves not set apart for any specific purpose) and securities premium account, subject to such aggregate borrowings not exceeding the amount which is ₹ 1000 crores (Rupees One Thousand Crores only) and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as it may, in its absolute discretion, think fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

13. **Authority under Section 180(1)(a) of the Companies Act, 2013 to sell, lease or otherwise dispose off, to mortgage/ create charges on the properties of the Company.**

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT in supersession of the special resolution passed by the Members of the Company at their meeting held on December 27, 2014, pursuant to the provisions of Section 180(1)(a) of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, and the rules made thereunder, including any statutory modification or re-enactment thereof, for the time being in force (the "Act"), and in supersession of all the earlier resolutions passed in this regard and such other approvals/ sanctions/permissions as may be necessary, the Members of the Company be and is hereby accord their consent to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee(s) constituted/ to be constituted by the Board to exercise its powers including the powers conferred by this resolution and with the power to delegate authority to any person or persons) to sell, lease or otherwise dispose off, to mortgage, charge, hypothecate, pledge or otherwise, encumber from time to time, movable and/or immovable, tangible and/or intangible properties/assets, both present and future and/or whole or substantially the whole of the undertaking(s) of the Company in such form, manner and time as the Board may deem fit, for securing any loans and/or borrowings and/or advances and/or guarantees and/or any financial assistance whether all/

any of such financial assistance taken or to be taken in foreign currency and/or Rupee currency by the Company and/or affiliates/associates Companies from any lender including without limitation, any bank, financial or other institutions, non-resident Indians, foreign institutional investors and/or public financial institutions as defined under Section 2(72) of the Act and/ or any other persons, bodies corporates and/or eligible foreign lenders and/or any entity/entities, machinery suppliers and/or any other person(s) or institution(s) providing finance for purchase of assets/business of the Company or for working capital or for purchase of specific items of machinery and equipment under any deferred payment scheme or bills discounting/rediscounting scheme or in favour of trustees for debenture holders that may be appointed here after, as security for the debentures/bonds that may be issued by the Company, Group Companies, Associates Companies and other person or persons together with interest, cost, charges, expenses and all other monies payable by the Company, Group Companies, Associates Companies and other person or persons to the said lender(s) and/or for the purpose of securing the securities (comprising of fully/ partly convertible and/or non-convertible debenture and/ or any other debts instruments with or without detachable or non-detachable warrants and/or secured premium notes and/or floating rate notes/bonds or other debt instruments) together with interest, remuneration of the trustees, premium, if any, on redemption, costs, charges and expenses payable by the Company in terms of the trust deed/other documents to be finalized and executed between the Company and the trustees/lenders and containing such specific terms and conditions (which may include authorization to the lender to transfer /assignment of security in favour of third party) and covenants in that behalf and agreed to between the Board of Directors and the trustees /lenders, up to a value of and within the overall limits of ₹ 1000 crores (Rupees One Thousand Crores only).

RESOLVED FURTHER THAT the Board be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution."

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**MVSS Kumar**
Company Secretary

# Notes:

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("Act") setting. out material facts concerning the business under Item Nos. 5 to 13 of the Notice, is annexed hereto. The relevant details, pursuant to Regulations 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Directors seeking appointment/re-

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy, in order to be effective, must be deposited at the Company's registered office, duly completed and signed, not less than 48 hours before the meeting. Proxies submitted on behalf of companies, societies, trusts etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder. members/proxies should bring the attendance slip duly filled in for attending the meeting.

3. The Register of Members and Share transfer books of the Company shall remain closed from September 21, 2018 to September 27, 2018 (both days inclusive).

4. If the dividend as recommended by the Board of Directors is approved at the AGM, payment of such dividend will be made as under:

   a) To all beneficial owners in respect of shares held in dematerialized form as per the data made available by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the close of business hours on September 20, 2018;

   b) To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on September 20, 2018

5. Members holding shares in dematerialized form are requested to intimate all changes pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), mandates, nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's Registrars and Transfer Agents, Karvy Computershares Private Limited (Karvy) to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to Karvy.

6. The Notice of the AGM along with the Annual Report 2017-18 is being sent by electronic mode to those members whose e-mail addresses are registered with the Company/ Depositories, unless any member has requested for a physical copy of the same. For members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.

7. Members seeking any information with regard to the accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.

8. To support the 'Green Initiative' the members who have not registered their e-mail addresses are requested to register the same with Karvy / respective depositories.

9. Members who have not so far presented dividend warrant(s) for the Financial Year 2010-11 are requested to seek to issue a duplicate warrant(s) by writing to the Company's Registrars and Transfer Agents Karvy, immediately. Members are requested to note that dividends unclaimed within 7 years from the date of transfer to the Company's Un-paid Dividend Account will, as per Section 124 of the Companies Act, 2013 be transferred to the Investor Education and Protection Fund.

   **The due date for transfer of such unclaimed dividend for the financial year 2010-11 is October 12, 2018.**

10. During the financial year 2017-18, the Company has transferred unclaimed dividend and corresponding shares to Central Govt.'s IEPF account as per the details mentioned below:

| Financial year | Number of shares transferred | No of records | Date of transfer |
|---|---|---|---|
| 2008-2009 | 972210 | 824 | 07.12.2017 |

The shares transferred to the IEPF can be claimed by the concerned members from the IEPF Authority after complying with the procedure prescribed under the IEPF Rules.

11. As per Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (LODR) Regulations, 2015 as amended from time to time, the Company is pleased to provide its members the facility to cast their vote by electronic means on all resolutions set forth in the Notice. Necessary arrangements have been made by the Company with Karvy to facilitate e-voting. The instructions for e-voting are given hereunder.

    **Remote e-voting:** In compliance with the provisions of Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).

(A) In case a member receives an email from Karvy [for members whose email IDs are registered with the Company/Depository Participants(s)]:

i. Launch internet browser by typing the URL: https://evoting.karvy.com.

ii. Enter the login credentials (i.e. User ID and password). In case of physical folio, User ID will be EVEN(E- Voting Event Number) xxxx followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.

iii. After entering these details appropriately, click on "LOGIN".

iv. You will now reach password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. You need to login again with the new credentials.

vi. On successful login, the system will prompt you to select the "EVENT" i.e. "HBL Power Systems Limited".

vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut off date under "FOR/AGAINST" or alternatively you may partially enter any number "FOR" and partially "AGAINTS" but the total number is "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the member does not indicate either "FOR" or "AGAINST" it will be treate d as "ABSTAIN" and these shareholds will not be counted under either head.

viii. Member s holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat accounts.

ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

x. You may then cast your vote by selecting an appropriate option and click on "Submit".

xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution (s), you will not be allowed to modify your vote. During the voting period, Member s can login any number of times till they have voted on the Resolution(s).

xii. Corporate/Institutional members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email kranthisarkar369@gmail.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_Event No."

(B) In case of members receiving physical copy of Notice [for members whose email IDs are not registered with the Company/Depository Participants (s)]:

i. E-Voting Event Number XXXX (EVEN), User IDand Password is provided in the Attendance Slip.

ii. Please follow all steps from Sl. No. (i) to (xii) above to cast your vote by electronic means.

**Voting at AGM:** The members, who have not cast their vote through Remote e-voting can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM Venue. The facility for voting through ballot shall be made available at the meeting. Members who have already cast their votes by remote e-voting are eligible to attend the meeting; however those members are not entitled to cast their vote again in the meeting.

A member can opt for only single mode of voting i.e. through remote e-voting or voting at the AGM. If a member casts votes by both modes then voting done through Remote e-voting shall prevail and vote at the AGM shall be treated as invalid.

OTHER INSTRUCTIONS

a. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs)and E-voting user manual available at the download section of https://evoting.karvy.com (Karvy Website) or contact Mr. B Srinivas (Unit: HBL Power Systems Limited) of Karvy at the details provided in corporate information section or at evoting@karvy.com or free No. 1-800-34-54-001 for any further clarifications.

b. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

c. The remote e-voting period commences on Monday, September 24, 2018 (09.00 AM IST) and ends on Wednesday, September 26, 2018 (05.00 PM IST).During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of September 20, 2018 may cast their votes electronically. The e-voting module shall be disabled by Karvy for voting thereafter. Once the vote on a resolution(s) is cast by the Member, the Member shall not be allowed to change it subsequently.

d. The voting rights of Members shall be in proportion to their share of the paid up equity share capital of the Company as on the cut-off date i.e. September20, 2018.

e. In case a person has become a Member of the Company after despatch of AGM Notice but on or before the cut-off date for E-voting i.e., September 20, 2018, he/she may obtain the User ID and Password in the manner as mentioned below :

i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may sendSMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:

MYEPWD <SPACE> IN12345612345678

Example for CDSL:

MYEPWD <SPACE> 1402345612345678

Example for Physical:
MYEPWD <SPACE> XXXX1234567890

ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of https://evoting.karvy.com, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

iii. Member may call Karvy's toll free number 1-800-345 4001.

iv. Member may send an e-mail request to einward.ris@karvy.com. However, Karvy shall endeavour to send User ID and Password to those new Members whose mail ids are available.

v. The Board of Directors has appointed CS CN Kranthi Kumar, as a Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

vi. The result of E-voting will be declared after the date of Annual General Meeting. The results declared along with the Scrutinizer's report shall be placed to the Company's website www.hbl.in and on the website of Karvy i.e. www.evoting.karvy.com within two days of the passing of the resolutions at the 32nd Annual General Meeting of the Company on Thursday, September 27, 2018 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

## EXPLANATORY STATEMENT
## STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

**Item No. 5**

Pursuant to the provisions of Section 20 of he Companies Act, 2013 (the Act') and the rules made the reunder, a document may be served on a Member of the Company by sending the same to him by post or by registered post or by speed post or by courier or by delivering it at his office or address, or by such electronic or other mode as may be prescribed. However, proviso to sub-section (2) of Section 20 of the Act states that a Member may request for delivery of any document through a particular mode, for which he/she shall pay such fees as may be determined by the company at its Annual General Meeting ('AGM').

Further, listed companies are required to send financial statements:

(a) by electronic mode to such members whose shareholding is in Demat form and whose email IDs are registered with Depository for communication purposes;

(b) where shareholding is held otherwise than by Demat form, to such members who have positively consented in writing for receiving by electronic mode; and

(c) by despatch of physical copies through any recognised mode of delivery as specified under section 20 of the Act, in all other cases.

Accordingly, consent of the members is sought for passing an ordinary resolution as set out in Item No. 6 of the Notice relating to serving the documents including financial statements to the members of the Company in a requested mode. In view of this, the Board of Directors recommends the resolution as set out in Item No. 5 of the Notice for approval by the Members of the Company by way of an ordinary resolution.

None of the Directors, Key Managerial Personnel are in any way, concerned or interested in the said resolution.

**Item Nos. 6 to 9**

The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, appointed the following as Additional Directors of the Company and/ or also as Independent Directors, not liable to retire by rotation:

| Name of the appointee | DIN | Date of appointment | Period of appointment (Five years) | |
|---|---|---|---|---|
| | | | From | To |
| Mr. K V Sriram | 00073911 | February 07, 2018 | February 07, 2018 | February 06, 2023 |
| Mrs. Richa Datta | 08084501 | March 15, 2018 | March 15, 2018 | March 14, 2023 |
| Mr. M Chandra Mohan | 00633439 | August 10, 2018 | August 10, 2018 | August 09, 2023 |
| Mr. Abhishek G Poddar | 07143528 | August 10, 2018 | Not applicable | |

The aforesaid appointments are subject to approval of the Members. Pursuant to the provisions of Section 161(1) of the Act and Articles of Association of the Company,the aforesaid Directors shall hold office up to the date of this AGM and are eligible to be appointed as a Director(s).

The Company has received a declaration from the aforesaid appointees to the effect that they meet the criteria of independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosures Requirements Regulations , 2015 ("SEBI" Listing Regulations").

In the opinion of the Board, the appointees fulfil the conditions specified in the Act and SEBI Listing Regulations for appointment as Independent Director and independent of the management of the Company.

**Brief profile of the appointees**

| Name of the appointee | Educational qualification | Expertise |
|---|---|---|
| Mr. K V Sriram | Master of Manufacturing Engineering (MME) Northwestern University, Evanston, USA Bachelor of Engineering Mech (BE) MNREC, Allahabad University | Production Processes, New product development and liasoning with Marketing and Production Improvements, New Product Business Development. |
| Mrs. Richa Datta | Chartered Accountant and Grad CWA Bachelor of Commerce from Osmania University | Expertise in Finance and Audit Systems in Industry and NGOs in India and abroad. |
| Mr. M Chandra Mohan | BE (Hons) and M.Tech (Mech.) from IIT, Kharagpur; MS degree in Mechanical Engineering at University of Hawaii and MBA from Columbia University. | Retired from Procter & Gamble with a distinguished career, spread over three continents for nearly 30 years. Presently volunteers as an executive- in-residence at the London School of Business and other leading business schools. |
| Mr. Abhishek G Poddar | Chartered Accountant (CA) with 19th rank in India in CA Final. He successfully completed all three levels of the CFA program of Chartered Financial Analyst Institute, USA. Graduate in Commerce from Narsee Monjee College, Mumbai University. | Around 15 years of combined experience in private equity investing and investment banking. Before joining BanyanTree in 2011, he was with Motilal Oswal Private Equity (MOPE).He led a team of five members for tracking the oil and gas industry in the Asia-Pacific geography research unit.He worked for a year at Citibank with their Financial Institutions Group focusing on credit rating analysis for FIG trades |

In compliance with the provisions of Section 149 read with Schedule IV of the Act, the resolutions for appointment of the appointees as Independent Directors is now being recommended by the Board at item No.6 to 9 of this Notice for approval of the Members.

Except the appointees, none of the Directors and Key Managerial Personnel of the Company are in any way, concerned or interested, in the resolutions set out at Item No.6 to 9 of this Notice.

Further details of the appointees have been given in the Annexure II to the explanatory statement.

**Item Nos 10 and 11**

Mrs. Kavita Prasad was appointed as an Additional Director as well as Wholetime Director of the Company by the Board on August 10, 2018. Pursuant to the provisions of Section 161(1) of the Act and Articles of Association of the Company, she holds office up to the date of this AGM and is eligible to be appointed as Director, whose office shall be liable to retire by rotation.

Section 188(1)(f) of the Companies Act, 2013 provides for the related party's appointment to any office or place of profit. The Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee, at their meeting held on August 11, 2016 had approved the appointment of Mrs. Kavita Prasad as Chief Financial Officer (CFO) of the Company. In view of her contribution, the Board of Directors on the recommendations of the Nomination and Remuneration Committee appointed Mrs. Kavita Prasad as Whole-time-Director with effect from August 10, 2018 subject to approval of the Shareholders by way of an Ordinary Resolution.

Mrs. Kavita Prasad has an extensive expertise in business management with specific focus on export marketing activities, corporate finance, banking and finance control.

Mrs. Kavita Prasad is related to the Chairman and Managing Director, Dr. A J Prasad and Mr. MSS Srinath, Whole-time-Director of the Company. Prior approval of the Board of Directors and in certain cases approval of the shareholders is also required to be obtained pursuant to the provisions of section 188(1) of the Companies Act, 2013 Act read with rules made thereunder that govern the Related Party Transactions.

The details of the remuneration payable to Mrs. Kavita Prasad are given in the resolution no. 9. As per section 188(1) (f) of the Companies Act, 2013, Your Board recommends the resolution for your approval.

| | | |
|---|---|---|
| Name of the Director or KMP who is related | Dr. A J Prasad, Chairman and MD | Mr. MSS Srinath, Director |
| Nature of relationship with Mrs. Kavita Prasad | Father | Spouse |
| Designation | Whole-time-Director and Chief Financial Officer | |
| Annual Remuneration payable w.e.f. August10, 2018. | | |

Basic Salary: Not exceeding ₹ 50,00,000/- per annum and other allowances as per Company policy, which includes Perquisites as below.

Perquisites:

a. House Rent Allowance or Provision of House Accommodation subject to maximum monthly rent at 40% of the basic salary.
b. Reimbursement of salary of a driver engaged by the appointee for official duties
c. Leave Travel Allowance: Actual traveling expenses incurred for self and dependents, not
d. Reimbursement of medical expenses incurred by self and dependents not exceeding one month basic salary for every year of service.
e. Annual Leave with salary as per the rules of the Company.
f. Company's. controbution to Provident Fund and Gratuaity as per the rules of the Company.
g. Provion of a car for the use of the Comapny's business and mobile phone, telephone at residence will not be considered as perquisites.
h. Notwithstanding anything mentioned above, wherein any financial year during the currency of tenure of the Whole Time Director, the Company has no profit or its profits are inadequate it may pay remuneration by way of salary and perquisites not exceeding the limits specified above as minimum remuneration under Schedule V of the Companies Act, 2013.
i. Other Terms: The appointment is subject to determination by giving three month notice by either party or other rules and regulations of the Company.
j. Nature of Duties: Mrs. Kavita Prasad shall carry out such functions, exercise such powers and perform such duties as the Board and the Chairman and Managing shall, from time to time, in their absolute discretion determine and entrust to her.

Mrs. Kavita Prasad, Director shall be entitled to reimbursement of actual travelling, boarding, lodging, entertainment and any incidental expenses in India or abroad, incurred by him in connection with Company's business purposes.

As per the proviso to Section 102(2) of the Companies Act, 2013, it is clarified that the proposed Resolution does not relate to or affect any other Company.

Information required to be disclosed under the Second Proviso to Section II(B), Part II of Schedule V of the Companies Act, 2013 is as follows:

(i) the proposed remuneration has been approved by a Resolution of the Nomination and Remuneration Committee and the Board;

(ii) the Company has not defaulted in repaying any of its debts or interest payable for a continuous period of thirty days in the preceding financial year before the date of appointment of Mrs. Kavita Prasad;

(iii) a special resolution is being passed at the forthcoming Annual General Meeting for payment of the remuneration for a period not exceeding five year;

(iv) a statement containing further information is set out in the Annexure I to this explanatory statement.

The Board recommends the Resolution at Item No. 10 and 11 of this Notice for approval of the members.

Except Mrs. Kavita Prasad, Dr. A J Prasad and Mr. MSS Srinathand their relatives, none of the Directors and Key Managerial Personnel of the Company and their respective relatives is, in any way, concerned or interested, in the Resolution set out at Item No.10 and 11 of this Notice.

**ITEM NO.12 and 13**

The Members of the Company had, through postal ballot in the year 2011, authorised the Board of Directors (which term shall be deemed to include any Committee of the Board) to borrow money(ies) on behalf of the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) and by way a special resolution at the AGM held on December 27, 2014 for creation of charge on moveable and immovable properties of the Company as security in favour of lending agencies for a sum not exceeding ₹ 750 crores (Rupees Seven Hundred Fifty Crores only), over and above the aggregate of the paid-up share capital; free reserves and securities premium account of the Company.

Keeping in view the procedural and administrative requirements of the banks and / or financial institutions after notification of the Companies Act, 2013, it is considered desirable for the Company to recommend the resolutions in Item No.12 and 13 of the notice for approval of the members by way of special resolution for borrowing limits and for creation of charge on moveable and / or immovable properties of the Company on exiting limits and conditions under the provisions of Sections180 (1) (c) and 180(1) (a) of the Companies Act, 2013 (the "Act").

Your consent by way of special resolution is required under the provisions of Sections180 (1) (c) and 180(1) (a) of the Act for operational requirements of the Company.

None of the Directors, Key Managerial Personnel are in any way concerned or interested in the said resolutions.

Brief particulars pursuant to Regulation 36(3) of the Listing Regulations and additional information to be given to Members in terms of Secretarial Standards on General Meetings (SS-2), of all the appointees are given in Annexure II to the Explanatory Statement.

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**MVSS Kumar**
Company Secretary

# Annexure I

## I. GENERAL INFORMATION:

**1. Nature of Industry:**

The Company is engaged in designing, development and manufacture of specialized batteries and DC systems in India and other engineering products. With nearly four decades of its experience in this field, the Company offers a wide range of batteries and associated electronics providing its customers, custom built solutions to meet critical requirements. The Company operates from different manufacturing facilities and regional offices across India.

**2. The Company has commenced its commercial activity in the year 1977.**

**3. The Company is in existence for four decades hence, clause 3 of General Information is not applicable.**

**4. Financial Performance (based on audited standalone financial statements):**

( ₹ in Crores)

| Sl | Financial Year | Paid-up Capital | Sales | Profit before Tax | Profit after Tax | Dividends (as % of paid up capital) |
|---|---|---|---|---|---|---|
| 1 | 31.03.2014 | 25.30 | 1,280.79 | 52.10 | 45.01 | 20 |
| 2 | 31.03.2015 | 25.30 | 1,330.07 | 25.32 | 14.62 | 20 |
| 3 | 31.03.2016 | 25.30 | 1,288.36 | 32.77 | 19.43 | 25 |
| 4 | 31.03.2017* | 27.72 | 1,529.86 | 50.07 | 35.61 | 25 |
| 5 | 31.03.2018* | 27.72 | 1,624.11 | 52.24 | 29.66 | 25 recommended |

*as per Ind AS

**5. Export performance (based on audited financial statements):** ( ₹ in Crores)

| Financial Year / Particulars | March 2018 | March 2017 | March 2016 | March 2015 | March 2014 |
|---|---|---|---|---|---|
| Export sales | 167.58 | 173.94 | 173.68 | 178.90 | 255.79 |

**6. There is no foreign investment or foreign collaboration.**

## II. INFORMATION ABOUT THE APPOINTEE

**1. Background Details:**

Mrs. Kavita Prasad is one of the promoters. Mrs. Kavita Prasad is a graduate in commerce with extensive expertise in business management and specific focus on international marketing activities, corporate finance, banking, SAP and finance control/management.

**2. Past Remuneration:**

| Remuneration paid to Mrs. Kavita Prasad as Chief Financial Officer | 31.03.2018 | 31.03.2017 ( from 11-08-2016) | March 2015 |
|---|---|---|---|
| Salary ( ₹ in lakhs) | 26.24 | 16.92 | 16.92 |

**3. Recognition /Awards and Job Profile /Suitability:**

Mrs. Kavita Prasad has been a driving force in implementation of SAP and monitoring of internal finance controls, corporate finance and banking operations.

4. **Proposed Remuneration:**
   Not exceeding ₹ 50,00,000/- per annum and other allowances as per Company policy, which includes Perquisites as mentioned in the proposed resolution.

5. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**
   The remuneration proposed to be paid to the Mrs. Kavita Prasad is comparable with the remuneration being paid for similar assignments in the Industry.

6. **Pecuniary relationship directly or indirectly with the company:**
   Beside the remuneration proposed above, she also received ₹ 7.03 lakhs per annum as rental charges of a flat owned by her, which has been taken on lease by the Company, besides any dividend on shares held by her. There is no other pecuniary relationship with the Company.

## III. OTHER INFORMATION:

Inevitable market conditions are the key factors for inadequacy in profits. However, the present special resolution is proposed as an abundant caution to enable the Company to pay remuneration within the limits of Schedule V of the Companies Act, 2013 and rules made thereunder.

## IV. DISCLOSURES:

1. The Board has taken required steps to inform the shareholders about the remuneration of Managerial Person.

2. Disclosure in the Corporate Governance Report is attached in the relevant section of this report.

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**MVSS Kumar**
Company Secretary

# Annexure II

**INFORMATION PURSUANT TO SS-2 OF SECRETARIAL STANDARDS ON GENERAL MEETING AND REGULATION 36(3) OF THE LISTING REGULATION REGARDING APPOINTMENT OR REAPPOINTMENT OF THE DIRECTORS AT THE FORTHCOMING ANNUAL GENEAL MEETING.**

| Name of the appointee | Mr. MSS Srinath | Mr. Karipineni Venkata Sriram | Mrs. Richa Datta | Mr. Madireddi Chandra Mohan | Mrs. Kavita Prasad | Mr. Abhishek G Poddar |
|---|---|---|---|---|---|---|
| DIN | 00319175 | 00073911 | 08084501 | 00633439 | 00319292 | 07143528 |
| Category | Promoter Group and Executive Director | Non-Executive Independent Director | Non-Executive Independent Director (Woman) | Non-Executive Independent Director | Promoter Group and Executive Director | Non-Executive and Non-Independent Director |
| Date of Birth | 23.04.1969 | 18.01.1970 | 16.12.1971 | 23.03.1942 | 11.12.1971 | 20.01.1982 |
| Date of appointment / re- appointment | 24.11.1997 | 07.02.2018 | 15.03.2018 | 10.08.2018 | 10.08.2018 | 10.08.2018 |
| Qualification(s) | BA (Economics Hons.) | Master of Manufacturing Engineering (MME) Northwestern University, Evanston, USA<br>Bachelor of Engineering Mech (BE) MNREC, Allahabad University | Chartered Accountant and Grad CWA Bachelor of Commerce from Osmania University | BE (Hons) and M. Tech (Mech.) from IIT, Kharagpur; MS degree in Mechanical Engineering at University of Hawaii and MBA from Columbia University. | A graduate degree in commerce | Chartered Accountant (All India 19th Rank in CA Final)<br>and CFA (USA)<br>Bachelor of Commerce from Narsee Monjee College, Mumbai |
| Brief profile and expertise in specific functional area | Overall Marketing activities and other administrative affairs of the company. | Production Processes, New product development and liaisoning with Marketing and Production Improvements, New Product Development Business Development. | Expertise in Finance and Audit Systems in Industry and NGOs in India and abroad. | Retired from Procter & Gamble with a distinguished career spread over three continents for nearly 30 years.<br>Presently volunteers as an executive- in- residence at the London School of Business and other leading business schools. | Extensive expertise in business management and specific focus on international marketing activities and corporate finance, SAP, banking and internal control. | 15 years of combined experience in private equity investing and investment banking.<br>Mr. Abhishek led a team for five members for tracking the oil and gas industry in the Asia-Pacific geography at M/s. J P Morgan's investment banking research unit. |

| Name of the appointee | Mr. MSS Srinath | Mr. Karipineni Venkata Sriram | Mrs. Richa Datta | Mr. Madireddi Chandra Mohan | Mrs. Kavita Prasad | Mr. Abhishek G Poddar |
|---|---|---|---|---|---|---|
| Chairman/ Member of Committees of the Board of Companies of which he is a director | 3 | 4 | 4 | Nil | Nil | Nil |
| Shareholding as on 31.03.2018 (Equity) | 19,06,920 | Nil | Nil | Nil | 94,22,131 | Nil |
| Last remuneration drawn | 50.40 lakhs | Nil | Nil | Nil | 26.24 lakhs | Nil |
| Relationship with other Directors/KMP etc. | Related to Mrs. Kavita Prasad and Dr. A J Prasad, Chairman and Managing Director | No relation | No relation | No relation | Related to Dr. A J Prasad, Chairman and Managing Director and Mr. MSS Srinath, Director. | No relation |
| Number of meetings of Board attend in 2017-18 | 5 | Nil | Nil | Nil | 5 as CFO | Not applicable |

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**MVSS Kumar**
Company Secretary

# Directors' Report

**Dear Members**

Your Directors take pleasure in presenting the 32nd Annual Report for the financial year ended on 31st March 2018. The standalone financial performance is presented below prepared in accordance with the Ind AS notified under the Companies (Indian Accounting Standards) Rules 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 as amended.

₹ in lakhs

| Sl. | Particulars | 2017-18 | 2016-17 |
|---|---|---|---|
| 1 | Revenue from Operations | 1,62,411.26 | 1,52,986.23 |
| 2 | Other Income | 2,271.99 | 1,720.51 |
| 3 | Total Income | 1,64,683.25 | 1,54,706.74 |
| 4 | Total Expenditure | 1,49,825.95 | 1,39,981.36 |
| 5 | Earnings before interest, depreciation and tax (EBIDTA) | 14,857.30 | 14,725.38 |
| 6 | Finance Costs | 4,054.57 | 4,621.68 |
| 7 | Depreciation & Amortization expenses | 4,603.19 | 4,817.75 |
| 8 | Profit before Exceptional items and Tax | 6,199.54 | 5,285.95 |
| 9 | Exceptional Items – Income / (Expenses) | (975.77) | (279.03) |
| 10 | Profit before tax (PBT) | 5,223.77 | 5,006.95 |
| 11 | Provision for tax & Deferred tax adjustment | 2,258.08 | 1,445.52 |
| 12 | Other comprehensive income (net) | 10.10 | 165.68 |
| 13 | Total Comprehensive Income for the Period (PAT) | 2,955.59 | 3,220.38 |
| 14 | Earnings Per Share (Diluted EPS in Rupees) | 1.07 | 1.16 |
| 15 | Proposed Dividend (on share of Re 1 each) | 25% | 25% |

## Performance Review 2017-18

Year 2017-18 has been a consistent good year for the Company which focused on sustaining long-term strategies that add value. Revenue from operations showed an increase of 6.2% over last year while Profit before Tax (PBT) showed an increase of 4.3%. Over the past few years we have made sustained efforts to improve competitiveness through a number of initiatives. Most of these have reached maturity. The steady improvement over the past few years and the positive results during the year is a result of these initiatives. Consequent to the introduction of Goods and Services Tax (GST) with effect from July 1, 2017, your Company successfully switched over to the new GST system, notwithstanding initial challenges. Central Excise, Value Added Tax (VAT) etc. have been subsumed into GST in accordance with Indian Accounting Standards.

## Current year's performance

Your Company is operating in an industry sector that faces price volatility in raw materials and competitive demands of customers. Over the past few years we have undertaken various initiatives resulting in better systems and policies, tighter execution and greater competitiveness. These are structural and internal changes that will strengthen the Company greatly over the medium and long term. Business teams have been retrained to handle the emerging challenges. These transformatory efforts will serve us well in the coming years.

Outlook for 2018-19 remains steady with a continuous domestic economic growth forecast of the Government. Opportunities are expected in the existing and new areas of business which shall enable your Company to embark on growth path barring unforeseen circumstances. Your

Company has been preparing itself to gain from the anticipated opportunities in Railways and Defence business segments in the coming future. The Management Discussion and Analysis section of the Annual Report presents a detailed business review of the Company.

## Dividend

Your Directors are pleased to recommend a dividend of 25% (ie ₹ 0.25 paise per equity share of Re.1 each fully paid up) for the Financial Year 2017-18 subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Dividend Distribution Tax will absorb ₹ 835.44 lakhs.

## Subsidiaries, Associate and Joint Venture Companies (as on March 31, 2018)

As per the notification issued by the Ministry of Corporate Affairs on July 27, 2016 with regard to Companies (Accounts) Amendment Rules, 2016, the report of the Board shall contain highlights of performance of subsidiaries, associates and joint venture companies and their contribution on overall performance of the company. Accordingly, we hereby furnish the following:

| | |
|---|---|
| Subsidiary companies | HBL America Inc.<br>HBL Germany GmBH, Germany<br>SCIL Infracon Private Limited<br>HBL Suntech LLP |
| Associate companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). | Naval Systems & Technologies Pvt Ltd (NSTL)<br>Kairos Engineering Limited |
| Joint Venture Company | Gulf Batteries Company Ltd in the Kingdom of Saudi Arabia (KSA). |

The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies, associates and joint ventures except that of Gulf Batteries Company Ltd, prepared in accordance with the Companies Act, 2013 (Act) and applicable Ind AS notified under the Companies (Indian Accounting Standards) Rules 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 as amended.

Pursuant to provisions of section 129(3) of the Act, a statement containing salient features of the financial statements of the Company's subsidiaries in Form AOC-1 is attached to the financial statements of the Company and as per the provisions of section 136 of the Act, the standalone financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company.

There has been no material change in the nature of the businesses of the subsidiaries except as disclosed hereunder.

**Highlights of performance of subsidiaries, associates and joint venture companies and their contribution on overall performance of the Company:**

### Subsidiary Companies

### HBL America Inc. (HBLA)

In fiscal year 2017-18, HBLA focused on improving its sales and marketing team with external recruitment. We received key approvals for our VRLA range allowing wider acceptance and deployment in earthquake prone areas. Revenues were up 11% from the prior year and margins improved. Key qualification work in the railroad market went smoothly. With the rail markets large, long duration tenders, we expect our first contracts in 2018-19. Flight trials continued for the newest long range executive jet and PMA certification for a key passenger aircraft battery was granted by the FAA.

### HBL Germany GmbH (HBLG)

Revenues declined 18% from the prior year, but margins improved while operating expenses were reduced. Net income was reduced by provision made for prior year's tax audit assessment – the assessment is not final and is being contested. New business has been achieved with key OEM's in France and Spain which will be long term, and sustainable to re- grow our European business. HBL battery and battery box systems were deployed on new commuter trains in Germany – Made in India, and fully qualified to German standards.

### SCIL Infracon Private Limited (SIPL)

Shareholders are already aware that SIPL is not in operation since a few years, except for follow up of old book debts realisation. The net loss of Rs 27.65 lakhs reported in the year was mainly due to payment of customs duty obligation against a Letter of Undertaking for import of capital goods cleared duty free against EPCG authorisation in 2007 and non-fulfilment of export obligation for various reasons. This obligation related to the period before your Company invested in SIPL. In a situation of no business operations since several years SIPL Directors are examining various alternatives about the necessity to continue this Company.

### HBL Suntech LLP

HBL Suntech LLP which was incorporated in 2011 for trading of monoblock batteries discontinued operations with effect from 1 April 2014 due to continuous losses and unviable business outlook. The loss of ₹ 13.86 lakhs reported in the year was mainly due to payment of certain statutory obligations like VAT assessments of past years. It is to be noted that due to non-operational reasons, the Registrar of Companies for AP and Telangana, issued letters in April 2018 and May 2018 pursuant to section 75 of the Limited Liability Partnership Act 2008 read with rule 37 of the LLP Rules 2009, to strike off the name of HBL Suntech LLP from their Register after completion of due notice period.

**Associate Companies**

**Naval Systems and Technologies Limited (NSTL)**

FY 2017-18 was the record best performance year for NSTL with an income of Rs 1772.16 lakhs and a PBT of Rs 514.46 lakhs. NSTL is a service provider to foreign Original Equipment Manufacturers (OEMs) mainly operating in the field of marine equipment in Indian Navy. The services provided include installation, trials and commissioning of various equipment, annual maintenance, specialised technical documentation etc. NSTL has a proven expertise in providing technical support, conducting feasibility studies for complex systems, market research and software support. Your Directors believe that NSTL will continue to grow into different niche areas, and maintain its profitability, barring unforeseen circumstances.

**Kairos Engineering Limited (KEL)**

KEL was not active since a few years. In a situation of no business operations, in response to an application dated 25th November 2017 made under Section 248 of the Companies Act, 2013 and Companies (Removal of Name of Companies from the Register of Companies) Rules, 2016 KEL name was struck off during the year from the Register of Companies maintained by the Registrar of Companies, Andhra Pradesh and Telangana.

**Joint Venture Company**

Gulf Batteries Co. Ltd (GBC) in the Kingdom of Saudi Arabia (KSA)

Your Company holds 40% stake in GBC. GBC has an accumulated loss of nearly 75% of its capital. As per Saudi Arabian laws, in a situation like this, such Company is terminated by force of law. Your Company therefore filed a liquidation petition for liquidation (winding up) of GBC after considering legal opinion. The case is pending before a Commercial Court in Saudi Arabia. In view of the pending liquidation, GBC financials statements have not been available for consolidated financial statements of the Company.

## Material Changes and Commitments

No material changes and commitments have occurred after the closure of the FY 2017-18 on March 31, 2018, till the date of this Report, which would affect the financial position of your Company.

## Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

i. in preparation of the annual accounts, the applicable Ind AS accounting standards have been followed and there are no material departures;

ii. they have selected such accounting policies as per Ind AS and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. they have prepared the annual accounts on a going concern basis;

v. they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;

vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, cost, statutory and secretarial auditors and external consultants and the reviews performed by management and the relevant board committees, including the audit committee, the board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2017-18.

## Directors and Key Managerial Personnel (KMP)

Your Directors play a very active role in the Company. They bring in great expertise in business operations and strategy and management. Their advice to the Board over the years consistently helped the Company to deliver strong performance. The following Directors have been appointed:

| Name of the appointee | DIN | Date of appointment | Appointed as | Period of appointment (Five years) | |
|---|---|---|---|---|---|
| | | | | From | To |
| Mr. K V Sriram | 00073911 | February 07, 2018 | Independent Director | February 07, 2018 | February 06, 2023 |
| Mrs. Richa Datta | 08084501 | March 15, 2018 | Independent Director (Woman) | March 15, 2018 | March 14, 2023 |
| Mr. M Chandra Mohan | 00633439 | August 10, 2018 | Independent Director | August 10, 2018 | August 09, 2023 |
| Mrs. Kavita Prasad | 00319292 | August 10, 2018 | Additional Director and CFO | 5 years w.e.f. August 10, 2018 | |
| Mr. Abhishek G Poddar | 07143528 | August 10, 2018 | Additional Director | Not applicable | |

Mr. Mitin C Jain (DIN 06390954) resigned as a Director with effect from August 10, 2018. Your Board conveys sincere appreciation for the advice and services rendered by him to the Company during his tenure as a Director.

Mr. MSS Srinath (DIN 00319175) retires by rotation and is eligible for re-appointment. Your Board recommends for his reappointment.

All the Directors hold office upto the date of the ensuing Annual General Meeting of the Company. Appointment of Independent Directors and Executive Director shall be for 5 years as placed before the members for their approval. Brief profile and experience of the appointees has been provided elsewhere in the Annual Report.

During the year, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company except for the sitting fee paid for attending the Board meetings.

## Number of meetings of the board

Five meetings of the board were held during the year. For details of the meetings of the board, please refer to the Corporate Governance Report, which forms part of this report.

## Board evaluation

Pursuant to the provisions of the Companies Act, 2013 and the Corporate Governance requirements prescribed by SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of all the Directors individually during the year. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and effectiveness of its Committees, execution and performance of specific duties, governance, meaningful and constructive contribution and inputs in meetings etc. Evaluation was carried out based on responses received from the Directors. A separate meeting of the Independent Directors also was held where in performance of non-Independent Directors, performance of the board as a whole and performance of the Chairman and Managing Director was evaluated. The Directors expressed their satisfaction with the evaluation process.

## Policy on Directors' appointment and remuneration and other details

The Company's policy on Directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance Report, which forms part of the Directors' report.

## Audit committee

The details pertaining to composition of Audit Committee are included in the Report on Corporate Governance, which forms part of this report. Powers and role of the Audit Committee are included in Corporate Governance Report. The Board of Directors has accepted all the recommendations of the Audit Committee placed at respective meetings. During the year, Mr. KV Sriram and Mrs. Richa Datta who were appointed as Additional Directors (Non-Executive, Independent) were also appointed on the Audit Committee.

## Risk Management

The Company has deployed a comprehensive framework to identify, monitor and take all necessary steps towards mitigation of various risk elements which can impact the existence of the Company on a periodic basis. All the identified risks are managed through continuous review of business parameters by the Management and the Board of Directors is also informed of the risks and concerns.

## Internal Financial Controls

Pursuant to Section 134 of the Companies Act 2013, the Directors state that the Board, through the operating management has laid down Internal Financial Controls to be followed by the Company and such policies and procedures were adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. The Audit Committee evaluates the internal financial control system periodically. To the best of their knowledge and ability and inputs provided by various assurance providers confirm that such financial controls are adequate with reference to the size and operations of the Company and no reportable material weakness or deficiency in the design or operation of internal financial controls was observed.

## Particulars of loans, guarantees and investments

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

## Transactions with related parties

None of the transactions with related parties falls under the scope of Section 188(1) of the Act. Information on transactions with related parties pursuant to Section 134(3)(h) of the Act read with rule 8(2) of the Companies (Accounts) Rules, 2014 are given in Annexure I in Form AOC-2 and the same forms part of this report. Related party transactions are in the ordinary course of business and on arm's length basis.

## Corporate social responsibility

The Company has a Board level committee that supervises its Corporate Social Responsibility (CSR) activities. The brief outline of the CSR Policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure II of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

## Extract of Annual Return

Pursuant to Section 92(3) of the Act, the extract of Annual Return is given in Annexure III in the prescribed Form MGT-9, which forms part of this report.

## Information regarding employees and related disclosures

Your Company consistently believes in concerted efforts in talent management and succession planning practices, strong performance management and learning and training initiatives. Rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow.

There were no complaints relating to child labour, forced labor, involuntary labor, sexual harassment in the last financial year and pending as on the end of the financial year.

| S.No | Category | No.of complaints filed during the financial year | No.of complaints pending as on end of the financial year |
|---|---|---|---|
| 1 | Child labor / forced labor/ involuntary labor | 0 | 0 |
| 2 | Sexual harassment | 0 | 0 |
| 3 | Discriminatory employment | 0 | 0 |

## Disclosure as required under Section 22 of Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Company believes in providing a healthy environment to all HBL Employees and does not tolerate any discrimination or harassment in any form. The Company has in place a gender neutral, Prevention of Sexual Harassment (POSH) policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. This policy is frequently communicated in assimilation programs and at regular intervals to all HBL employees. Following are some of the awareness programs imparted to train HBL Employees and Internal complaints committee (ICC).

1. It is mandatory for every new joiner to undergo a program on 'Prevention of Sexual Harassment ' during induction program.
2. The Internal Complaints Committee is trained by external agency when the committee members are on-boarded to the committee.
3. Policy of 'Prevention of Sexual Harassment' at workplace is available on internet for HBL employees to access as and when required.
4. The 'Prevention of Sexual Harassment' policy is placed in conspicuous places for better visibility and communication of the policy. The posters are also displayed in regional languages at all HBL offices.

HBL has setup an Internal Complaints Committee (ICC) both at the Head office / Corporate office and at every major location where it operates in India. ICC has equal representation of men and women. ICC is chaired by a senior woman employee and has an external women representation.

ICC investigates the case(s) and provides its recommendations to the apex authority. The apex authority upon receiving the recommendations from ICC arrives at the conclusion and acts upon such recommendations.

Penal Consequences of Sexual Harassment ("SH") and the constitution of the ICC are displayed at conspicuous places.

## Particulars of employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

| | | |
|---|---|---|
| Employee Name | Dr. AJ Prasad | Mr. Suresh Kalyan |
| Total remuneration CTC (Rs lakhs) | Rs 96.00 lakhs and commission ₹ 191.27 lakhs | ₹ 161.29 lakhs |
| Designation and Nature of Duties | Chairman and Managing Director | Chief Operating Officer (COO) |
| Qualification / Experience (years) | B. Tech from IIT, Khargpur, MS in Management from Massachusetts Institute of Technology USA, Doctorate in International Business from Columbia University, USA. | BSc. Chartered Accountant / 29 |
| Date of commencement of employment | Promoter of the Company | 17.11.2014 |
| Age (years) | 73 | 54 |
| Last employment held before Joining the Company | Administrative Staff College of India | Amara Raja Batteries Limited, Hyderabad, as President –Finance |

a. The ratio of the remuneration of each Non-Executive director to the median remuneration of the employees of the Company for the financial year: Not Applicable as none of the Non- Executive was paid any remuneration.

b. The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year:

| Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary | % increase in remuneration in the financial year |
|---|---|
| Dr. A J Prasad, Chairman and Managing Director | No change |
| Mr. MSS Srinath, Whole-Time Director | No change |
| Mrs. A Kavita Prasad – CFO | No change |
| Mr. MVSS Kumar, Company Secretary | 4.75% |

c. The percentage increase in the median remuneration of employees in the financial year: 5- 15 %

d. The number of permanent employees on the rolls of Company: 1989 (as at 31 March 2018)

e. Comparison of the remuneration of the key managerial personnel against the performance of the Company:

| | | |
|---|---|---|
| Aggregate remuneration of key managerial personnel (KMP) in 2017-18<br>Commission on profits to CMD | Rs lakhs | 212.86<br>191.27 |
| Revenue | Rs lakhs | 1,62,411.26 |
| Remuneration of KMPs | As % of revenue | 0.25 |
| Remuneration of KMP | As % of PBT | 7.73 |

f. Comparison of each remuneration of the key managerial personnel against the performance of the Company:

| Particulars | Dr. AJ Prasad | MSS Srinath | Kavita Prasad | MVSS Kumar | K Mahidhar (upto 31.8.2017) |
|---|---|---|---|---|---|
| Designation | CMD | Executive Director | CFO | Company Secretary | Vice President Finance |
| Remuneration in 2017-18 | 96.00 | 50.40 | 26.25 | 25.13 | 15.08 |
| Commission on profit | 191.27 | - | - | - | - |
| Revenue (net) | 1,62,411.26 | | | | |
| Profit before Tax (PBT) | 5,223.77 | | | | |
| Remuneration as % of Revenue | 0.25 | | | | |
| Remuneration (as % of PBT) | 7.73 | | | | |

g. The key parameters for any variable component of remuneration availed by the directors:

Only commission on net profits was paid to Chairman and Managing Director in addition to the monthly remuneration.

h. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year –Not applicable.

## Disclosure requirements

As per listing Regulations, , corporate governance report with auditors' certificate thereon and management discussion and analysis are attached, which form part of this report.

## Vigil Mechanism / Whistle blower policy

The Company has formulated a vigil mechanism /whistle blower policy to provide a vigil mechanism for employees including directors of the Company to report genuine concerns. The provisions of this policy are in line with the provisions of the Section 177(9) of the Act and the Regulation 22 of the SEBI (LODR) Regulations, 2015\.

## Deposits from public

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

## Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in the Annexure hereto.

## Corporate Governance

Pursuant to Schedule V of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

## Statutory Auditors

M/s Rao & Kumar, Chartered Accountants (FRN 03089S) Visakhapatnam who are the Statutory Auditors of the Company have been appointed by the members at the 31st Annual General Meeting (AGM) of the Company held on 26th September 2017 for a period of five years to hold office till the conclusion of AGM in 2022 subject to ratification of members at every year AGM. Accordingly, they retire at the conclusion of the ensuing AGM and are eligible for reappointment. Your Directors recommend for their reappointment at the AGM.

The Report given by M/s. s Rao & Kumar, Chartered Accountants on the financial statements of the Company for the year 2017-18 is part of the Annual Report. There has been no qualification, reservation or adverse remark or disclaimer in their Report. During the year under review, the Auditors had not reported any matter under Section 143 (12) of the Act. Therefore no detail is required to be disclosed under Section 134 (3)(ca) of the Companies Act, 2013.

## Cost Auditors

Your Board has appointed M/s K. Narashima Murthy & Co., Hyderabad, Cost Accountants (FRN 000042) as Cost Auditors of the Company for conducting the audit of cost records of the Company for the financial year 2017-18. Your Board, on recommendation of the Audit Committee, proposes to re-appoint them as Cost Auditors for 2018-19, subject to the approval from Central Government.

## Disclosure under Section 148(1) of the Companies Act, 2013

The Company has been maintaining required cost records as specified under Section 148(1) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 as mended from time to time.

## Secretarial Auditors

Your Board has appointed Mr. CN Kranthi Kumar (CP No: 13889), Practicing Company Secretary as a Secretarial Auditor for the financial year 2017-18 and his secretarial audit report is attached to this Report. There are no qualifications, adverse comments and observations in the secretarial audit report for the year 2017-18.

## Cautionary Statement

Statements in this Annual Report, particularly those that relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward-looking statements' within the meaning of applicable laws and regulations to enable shareholders and investors to comprehend our prospects. Although the expectations are based on reasonable assumptions, the actual results might differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as plant breakdowns, industrial relations etc.

## Acknowledgements

Your Directors place on record sincere appreciation towards the Company's valued customers and esteemed shareholders for the support and confidence reposed by them in the management of the company and look forward to the continuance of this mutually supportive relationship in future and remain committed to delivering and enhancing shareholder value.

Your Directors take this opportunity to thank all the Company's Bankers, concerned Central and State Government Departments, Agencies for their support and co-operation to the Company. The Board has special appreciation for the employees for their dedicated services and their ability to deliver good results in the future.

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**Dr. A J Prasad**
Chairman and Managing Director

## ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2017-18
## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

A. **Conservation of Energy:** Energy saving devices such as re-cycling of heat and use of alternate sources of energy like solar energy/fuel oil are being implemented wherever possible.

B. **Technology Absorption:** We have in-house R&D facilities. We may avail the consultancy services from overseas experts for strengthening our technology, as and when needed. We are in the process of absorbing the technology so developed and improved further.

C. **Foreign Exchange Earnings and Outgo:**

₹ in lakhs

| Sl. | Particulars | 2017-18 | 2016-17 |
|---|---|---|---|
| 1 | **Value of Imports (on accrual basis)** | | |
| | Raw Materials, Components & Spares | 13,887.18 | 23,026.33 |
| | Capital items/ Equipment | 54.71 | 11.83 |
| 2 | **Expenditure in Foreign Currency** | | |
| | Commission | 217.46 | 117.05 |
| | Traveling expenses | 150.63 | 191.72 |
| | Professional charges | 177.81 | 505.35 |
| | Marketing expenses | 272.21 | 279.95 |
| | Advances & Others | 58.73 | 576.51 |
| 3 | **Foreign Exchange Earnings (on accrual basis)** | | |
| | Export sales | 16,758.00 | 17,393.97 |
| | Services | 18.07 | 53.86 |

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**Dr. A J Prasad**
Chairman and Managing Director

## Form No. AOC-2

*(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

*Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms-length transactions under third proviso thereto:*

1. **Details of contracts or arrangements or transactions not at arm's length basis:**
   The Company has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during the financial year 2017-18.

2. **Details of material contracts or arrangements or transactions at arm's length basis:**
   a. Name(s) of the related party and nature of relationship:

**(i) Entities**

| Name of the related party | Nature of relationship |
|---|---|
| SCIL Infracon Private Limited | Wholly owned subsidiary |
| HBL Germany, GmbH | Wholly owned subsidiary |
| HBL America Inc, USA | Wholly owned subsidiary |
| Gulf Batteries Company Limited, KSA | Joint venture company. |
| HBL Suntech LLP | Subsidiary - HBL holds 60% as a partner in LLP |
| Naval Systems and Technologies Private Limited | Associate company |

**(ii) Key Managerial Personnel**

| Name of the Key Managerial Personnel | Nature of relationship |
|---|---|
| Dr A J Prasad | Chairman and Managing Director |
| M S S Srinath | Whole-timeDirector |
| Kavita Prasad | Chief Financial Officer |
| MVSS Kumar | Company Secretary |

b. Nature of contracts / arrangements / transactions: Supply and service of batteries, rentar, concrete products, moulds, tools and equipment.

c. Duration of the contracts / arrangements / transactions: Contracts are ongoing.

d. Date(s) of approval by the Board, if any: For entities mentioned in table (a)(i) above, necessary approval was obtained at the 28th Annual General Meeting of the Company held on December 27, 2014. In respect of the related parties covered in table (a)(ii) approval of the Board was obtained as per the provisions of section 188 of the Act and rules made thereunder.

e. Amount paid as advances, if any: Nil

For and on behalf of the Board

Place: Hyderabad
Date : August 10, 2018

**Dr. A J Prasad**
Chairman and Managing Director

# Annexure II

## ANNUAL REPORT ON CSR ACTIVITIES

Corporate Social Responsibility (CSR) has been an important part of the HBL's overall philosophy of giving back to the society which was initiated even before the satutory mandate. HBL is committed to work for the betterment of environment in and around the locations it operates. Achieving various means of social combination is the administrative ideology of the Company's CSR policy.

The focus areas of our CSR initiatives, as in the past, are education and skill development, livelihood based skills through sponsoring or tie-up with institutions, health and wellness, pre-school education for children below six years of age, providing safe drinking water to school children, promoting gender equality, eradication of undernourishment and rehabilitation of the under privileged communities through its CSR agenda. The Company's CSR activities made a difference to the society and the efforts of the Company were well appreciated in various press clippings. It is appreciable to note that there was a distinct increase in the number of children (who are direct beneficiaries) in the year 2017-18 to about 1279 and nearly it was double over the previous year (2016-17). The projects undertaken by the Company are within the broad framework of Schedule VII of the Companies Act, 2013 as amended from time to time.

**Composition of CSR committee:**

The Company has a CSR committee comprising of directors, CA. P Ganapathi Rao, Chairperson of the Committee. Mr. MSS Srinath, Mrs. Preeti Khandelwal, Mr. K V Sriram and Mrs. Richa Datta are the members.

**Prescribed CSR expenditure:**

The Company has been spending on CSR focused programmes which have been approved by the CSR Committee and the Board. A budget of Rs.115.00 lakhs for FY 2017-18 was approved by the Committee and the Board of Directors. Against the approved budget, the Company could spend Rs.94.04 lakhs during the reporting period as per the statement below, which was higher than the minimum required spending under the Companies Act, 2013.

(Rs. in lakhs)

| Sl | CSR Project | Project area | Spent directly | Spent through agencies |
|---|---|---|---|---|
| 1 | **Health and Education :** Eradicating poverty, hunger, malnutrition, health and pre-school education for children below six years age | Shameerpet & Visakhapatnam (VSEZ) | 31.56 | 1.20 |
| | | Nandigaon & Bhoothpur | 21.55 | - |
| | | Vizianagaram | 24.79 | - |
| 2 | **Water.** Providing safe drinking water to school children | Shameerpet & Visakhapatnam (VSEZ) | 0.45 | |
| | | Nandigaon & Bhoothpur | 1.20 | |
| | | Vizianagaram | 0.40 | |
| 3 | **Health:** Promoting preventive health care through medical camps | Shameerpet & Visakhapatnam (VSEZ) | 0.40 | |
| | | Nandigaon & Bhoothpur | 0.43 | |
| | | Vizianagaram | 0.42 | |
| 4 | **Livelihood:** Providing livelihood enhancing skills, empowering women and youth | Shameerpet & Visakhapatnam (VSEZ) | 2.23 | |
| | | Nandigaon & Bhoothpur | 0.15 | |
| | | Vizianagaram | 0.15 | |

| | | | | |
|---|---|---|---|---|
| 5 | **Education:** Promoting quality of education for children by providing required facilities (Soft and Hard) | Shameerpet & Visakhapatnam (VSEZ) | 0.63 | |
| | | Nandigaon & Bhoothpur | 0.40 | |
| | | Vizianagaram | 0.44 | |
| 6 | **Education:** Promoting education and gender equality through assisting finance to girl child and under privileged children | Shameerpet & Visakhapatnam (VSEZ) | 1.60 | |
| | | Nandigaon & Bhoothpur | 0.20 | |
| | | Vizianagaram | 0.20 | |
| 7 | To provide financial assistance to the projects related to setting up old age homes/ orphanages and such other facilities for senior citizens. | | | 1.20 |
| 8 | To provide financial assistance to the projects related to skills development for differently abled and livelihood enhancement. | | | 1.80 |
| 9 | Rural development projects - Village Development | | | 2.64 |
| | | **Grand Total** | **87.20** | **6.84** |

**Responsibility statement of the CSR committee that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company:**

The CSR Committee hereby declares that implementation and monitoring of the CSR activities of the Company are in compliance with CSR objectives and policy of the Company.

On behalf of the CSR Committee

Place: Hyderabad
Date: August 10, 2018

**CA. P Ganapathi Rao**
Chairperson of CSR Committee

# Annexure III

## FORM NO. MGT-9
## EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

*[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]*

### I. REGISTRATION AND OTHER DETAILS:

i. CIN: L40109TG1986PLC006745

ii. Registration Date: 29.08.1986

iii. Name of the Company: HBL POWER SYSTEMS LIMITED

iv. Category / Sub-Category of the Company: Company Limited by shares / Indian Non-Government Company

v. Address of the Registered office and contact details:
8-2-601, Road No.10, Banjara Hills, Hyderabad-500034, Telangana
Tel: 91 40 2335 5575, Fax: 91 40 2335 5048
Email: contact @hbl.in Website: www.hbl.in

vi. Whether listed company: Yes

vii. Name, address and contact details of Registrar and Transfer Agent, if any
Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500 032.
Tel : +91 040 67161530
E-mail : mailmanager@karvy.com

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

| S. No. | Name and Description of main products / services | NIC Code of the Product / service | % to total turnover of the company |
|---|---|---|---|
| 1 | Manufacture of batteries, Power Electronics and Spun concrete products | 272 | 100% |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| S. No. | Name and Address of the Company | CIN | Holding / Subsidiary / Associate | % of shares held | Relevant Section |
|---|---|---|---|---|---|
| 1 | SCIL Infracon Private Limited Sy.No.26, Kubera Towers, Trimulgherry, Secunderabad - 500 015 | U45400TG2007PTC054295 | WOS | 100% | 2(87) |
| 2 | HBL America Inc. USA | Not applicable | WOS | 100% | 2(87) |
| 3 | HBL Germany GmBH, Germany | Not applicable | WOS | 100% | 2(87) |

| | | | | | |
|---|---|---|---|---|---|
| 4 | HBL Suntech LLP<br>8-2-601, Road No.10, Banjara Hills, Hyderabad-500034 | AAA-6399 | Subsidiary | 60% | 2(87) |
| 5 | Naval Systems and Technologies Pvt Ltd.<br>Plot563. Road 31<br>Jubilee Hills, Hyderabad-500 033 | U31403TG2006PTC051006 | Associate | 41% | 2(6) |
| 6 | Kairos Engineering Limited * | U31400TG1998PLC029359 | Associate | 46.70% | 2(6) |
| 7 | Gulf Batteries Co. Ltd, KSA | Not applicable | Joint Venture | 40% | 2(6) |

Applied for name strike off under Section 248 of the Companies Act, 2013 and Companies (Removal of Name of Companies from the Register of Companies) Rules, 2016 from the Register of Companies.

Due to non-operational reasons, the Registrar of Companies for AP and Telangana, issued letters in April 2018 and May 2018 pursuant to section 75 of the Limited Liability Partnership Act 2008 read with rule 37 of the LLP Rules 2009, to strike off the name of HBL Suntech LLP from their Register after completion of due notice period.

## IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

### a. Category-wise Share holding

| Category | Category of Shareholders | No. of Shares held at the beginning of the year i.e. 01.04.2017 | | | | No. of Shares held at the end of the year i.e. 31.03.2018 | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **A . PROMOTERS** | | | | | | | | | | |
| 1. | INDIAN | | | | | | | | | |
| a. | Individual /HUF | 1,90,05,556 | - | 1,90,05,556 | 7.51 | 1,92,03,081 | 38,830 | 1,92,41,911 | 6.94 | -0.57 |
| b. | Central Government/ State Government(s) | - | - | - | - | | | | | - |
| c | Bodies Corporate | 16,88,21,740 | - | 16,88,21,740 | 66.73 | 13,69,62,231 | - | 13,69,62,231 | 49.41 | -17.32 |
| d. | Financial Institutions / Banks | | | | | | | | | - |
| e. | Others | - | - | - | - | - | - | - | - | - |
| | **Sub-Total (A)(1)** | **18,78,27,296** | **-** | **18,78,27,296** | **74.24** | **15,61,65,312** | **38,830** | **15,62,04,142** | **56.35** | **-17.89** |
| **2.** | **FOREIGN** | | | | | | | | | |
| a | Individuals (NRIs/ Foreign Individuals) | - | - | - | - | - | - | - | - | - |
| b. | Bodies Corporate | - | - | - | - | - | - | - | - | - |
| c. | Institutions | - | - | - | - | - | - | - | - | - |
| d. | Qualified Foreign Investor | - | - | - | - | - | - | - | - | - |
| e. | Others | - | - | - | - | - | - | - | - | - |
| **Sub-Total (A) (2)** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total Shareholding of Promoter and Promoter Group (A)** | | **18,78,27,296** | **-** | **18,78,27,296** | **74.24** | **15,61,65,312** | **38,830** | **15,62,04,142** | **56.35** | **-17.89** |

| Category | Category of Shareholders | No. of Shares held at the beginning of the year i.e. 01.04.2017 | | | | No. of Shares held at the end of the year i.e. 31.03.2018 | | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| **B. PUBLIC SHAREHOLDING** | | | | | | | | | | |
| **1** | **Institutions** | | | | | | | | | |
| a. | Mutual Funds | 2,17,04,656 | - | 2,17,04,656 | 8.58 | 96,46,200 | - | 96,46,200 | 3.48 | -5.10 |
| b. | Financial Institutions / Banks | 1,84,061 | 4,000 | 1,88,061 | 0.07 | 3,22,835 | - | 3,22,835 | 0.12 | 0.05 |
| c. | Central Government / State Government(s) | - | - | - | - | - | - | - | - | - |
| d. | Venture Capital Funds | - | - | - | - | 2,68,42,240 | - | 2,68,42,240 | 9.68 | 9.68 |
| e. | Insurance Companies | - | - | - | - | - | - | - | - | - |
| f. | Foreign Institutional / Portfolio Investors | 1,09,960 | - | 1,09,960 | 0.04 | 7,80,653 | - | 7,80,653 | 0.28 | 0.24 |
| g. | Foreign Venture Capital Investors | - | - | - | - | 2,89,83,735 | - | 2,89,83,735 | 10.46 | 10.46 |
| h. | Qualified Foreign Investor | - | - | - | - | - | - | - | - | - |
| i. | Others | - | - | - | - | - | - | - | - | - |
| **Sub-Total (B) (1)** | | **2,19,98,677** | **4,000** | **2,20,02,677** | **8.69** | **6,65,75,663** | **-** | **6,65,75,663** | **24.02** | **15.33** |
| **2** | **Non- Institutions** | | | | | | | | | |
| a. | Bodies Corporate | 51,12,576 | - | 51,12,576 | 2.03 | 70,12,041 | - | 70,12,041 | 2.53 | 0.50 |
| b. | Individuals | | | | | | | | | |
| i | Individuals holding nominal share capital upto `.2 lac | 2,84,86,302 | 39,26,934 | 3,24,13,236 | 12.81 | 3,63,44,979 | 29,04,724 | 3,92,49,703 | 14.16 | 1.35 |
| ii | Individuals holding nominal share capital in excess of `2 lac | 25,61,071 | - | 25,61,071 | 1.01 | 25,76,340 | - | 25,76,340 | 0.93 | -0.08 |
| c. | Others | 30,83,144 | - | 30,83,144 | 1.22 | 55,77,057 | - | 55,77,057 | 2.01 | 0.79 |
| **Sub-Total (B) (2)** | | **3,92,43,093** | **39,26,934** | **4,31,70,027** | **17.07** | **5,15,10,417** | **29,04,742** | **5,44,15,141** | **19.63** | **2.56** |
| **Total Public Shareholding Group (B)** | | **6,12,41,770** | **39,30,934** | **6,51,72,704** | **25.76** | **11,80,82,080** | **29,04,742** | **12,09,90,804** | **43.65** | **17.89** |
| **C. Shares held by Custodians and against which depository Receipts have been issued** | | **-** | **-** | **-** | **-** | | | | | **-** |
| **GRAND TOTAL (A)+(B)+(C)** | | **24,90,69,066** | **39,30,934** | **25,30,00,000** | **100** | **27,42,47,392** | **29,43,572** | **27,71,94,946** | **100** | **-** |

Consequent to approval of the scheme of merger between Beaver Engineering and Holdings Private Limited (transferor company) and HBL Power Systems Limited (transferee company) on May 09, 2017 by the Hon'ble Bench of NCLT at Hyderabad, 17,40,94,389 equity shares were allotted on July 19, 2017 to the members of transferor company as per scheme and pursuant clause 5.4 to the scheme, 14,98,99,443 equity shares held by Transferor Company in Transferee Company stands extinguished.

## b. Shareholding of Promoters

| Sr. No | Shareholder's Name | Shareholding at the beginning of the year i.e. 01.04.2017 | | | Shareholding at the end of the year i.e. 31.03.2018 | | | % Change during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of total Shares | % of Shares Pledged | No. of Shares | % of total Shares | % of Shares Pledged | |
| 1. | Beaver Engineering and Holdings Private Limited | 14,98,99,443 | 59.25 | 0.00 | Extinguished pursuant to clause 5.4 to the scheme | | | -59.25 |
| 2. | Dr. A J Prasad | 23,86,413 | 0.94 | 0.00 | 24,25,243 | 0.87 | 0.00 | -0.07 |
| 3. | Mrs. Kavita Prasad | 93,41,096 | 3.69 | 0.00 | 94,22,131 | 3.40 | 0.00 | -0.29 |
| 4. | Advay Bhagirath Mikkilineni | 39,17,600 | 1.55 | 0.00 | 39,17,600 | 1.44 | 0.00 | -0.11 |
| 5. | Mr. MSS Srinath | 18,29,260 | 0.72 | 0.00 | 19,06,920 | 0.69 | 0.00 | -0.03 |
| 6. | Mikkilineni Deeksha | 15,31,187 | 0.61 | 0.00 | 15,31,187 | 0.55 | 0.00 | -0.06 |
| | Barclays Wealth Trustees India Private Limited - Trusetee for Aluru Family Private Trust and Mikkilineni Family Private Trust | 1,89,22,297 | 7.49 | 0.00 | 13,69,57,731 | 49.41 | 0.00 | 41.94 |
| 8. | Mrs. A Uma Devi | - | - | - | 38,830 | 0.01 | 0.00 | 0.01 |
| | **Total** | **18,78,27,296** | **74.24** | **0.00** | **15,62,08,642** | **56.35** | **0.00** | **-17.89** |

## c. Change in Promoters' Shareholding

| SL. No | Name of the Shareholder | Shareholding at the beginning of the year | | Date and nature of change | Increase/ Decrease in Shareholding | | Cumulative Shareholding during the Year | |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of Total Shares of the Company | | No. of Shares | % of Total Shares of the Company | No. of Shares | % of Total Shares of the Company |
| 1. | Beaver Engineering and Holdings Private Limited | 14,98,99,443 | 59.25 | Pursuant to approval of scheme of merger, new shares were allotted to the members of the transferor company on 19.07.2017 | -14,98,99,443 | -59.25 | - | - |
| 2 | Dr. A J Prasad | 23,86,413 | 0.94 | | +38,830 | 0.01 | 24,25,243 | 0.87 |
| 3 | Mrs. Kavita Prasad | 93,41,096 | 0.11 | | +77,660 | 0.02 | 94,22,131 | 3.40 |
| 4. | Barclays Wealth Trustees India Private Limited - Trustee for Aluru Family Private Trust and Mikkilineni Family Private Trust | 1,89,22,297 | 7.49 | | +11,80,35,434 | 42.58 | 13,69,57,731 | 49. 41 |
| 5 | Mr. MSS Srinath | 18,29,260 | 0.72 | | +77,660 | 0.02 | 19,06,920 | 0.69 |
| 6 | Mrs A Uma Devi | - | - | | +38,830 | 0.01 | 38,830 | 0.01 |

d. **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

| SL. No | Top 10 Shareholders<br>The shares of the Company are traded on a daily basis and hence the date wise increase / decrease in shareholding is not indicated. Shareholding is consolidated based on Permanent Account Number (PAN) of the shareholder. | Shareholding as at 01.04.2017 | | Cumulative Shareholding as at 31.03.2018 | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | Banyantree Growth Capital LLC | - | - | 2,89,83,735 | 10.46 |
| 2 | Oman India Joint Investment Fund | - | - | 2,68,42,240 | 9.68 |
| 3. | IDFC Sterling Equity Fund | 74,08,155 | 2.93 | 58,00,000 | 2.09 |
| 4. | IDFC Tax Advantage (ELSS) Fund | 15,65,784 | 0.62 | 14,00,000 | 0.51 |
| 5. | Bharat Taparia | 2,50,000 | 0.10 | 10,90,000 | 0.39 |
| 6. | L and T Mutual Fund Trustee Ltd-L AND T Infrastructure Fund | 9,60,200 | 0.38 | 10,60,200 | 0.38 |
| 7. | Investor Education and Protection Fund | - | - | 9,72,210 | 0.35 |
| 8. | The Emerging Markets Small Cap Series Of The Dfa Investment Trust Company | - | - | 6,01,914 | 0.22 |
| 9. | Elsamma Joseph | 200000 | 0.08 | 5,00,000 | 0.18 |
| 10. | Ganesh Srinivasan | 400000 | 0.16 | 5,00,000 | 0.18 |

e. **Shareholding of Directors and Key Managerial Personnel (KMP):**

| SL. No | Beneficiary Account no | Name of the Director/ KMP | Date | Shareholding as at 01.04.2017 | | Cumulative Shareholding as at 31.03.2018 | |
|---|---|---|---|---|---|---|---|
| | | | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | IN303559-10011800 | Dr. A J Prasad | 01-04-2017 | 23,86,413 | 0.94 | | |
| | | | 31-03-2018 | | | 24,25,243 | 0.87 |
| 2 | IN303559-10001640 | Mr. MSS Srinath | 01.04.2017 | 18,29,260 | 0.72 | | |
| | | | 31.03.2018 | | | 19,06,920 | 0.69 |
| 3 | IN303559-10001666 | Mrs. Kavita Prasad | 01.04.2017 | 93,41,096 | 3.69 | | |
| | | | 31.03.2018 | | | 94,22,131 | 3.40 |

f. **Indebtedness: Indebtedness of the Company including interest outstanding / accrued but not due for payment as at 31.03.2018**

(Rs. in lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year** | | | | |
| i. Principal Amount | 4,127.54 | 513.77 | - | 4,641.31 |
| ii. Interest due but not paid | | | | |
| iii. Interest accrued but not due | 17.40 | - | - | 17.40 |
| Total (i+ii+iii) | 4,144.94 | 513.77 | - | 4,658.71 |
| **Change in indebtedness during the financial year** | | | | |
| - Addition | - | - | - | - |
| - Reduction | (1,876.65) | (134.11) | - | (2,010.76) |
| Net Change | 2,268.29 | 379.66 | - | 2,647.95 |
| **Indebtedness at the end of the financial year** | | | | |
| i. Principal Amount | 2,268.29 | 379.66 | - | 2,647.95 |
| ii. Interest due but not paid | | | | |
| iii. Interest accrued but not due | 12.41 | - | - | 12.41 |
| **Total (i+ii+iii)** | 2,280.41 | 379.66 | - | 2,660.36 |

g. **Remuneration of Directors and Key Managerial Personnel**

**(i). Remuneration to Managing Director, Whole-time Directors and / or Manager:** (Rs. in lakhs)

| Sr. No | Particulars of Remuneration | Name of MD/WTD/Manager | | Total |
|---|---|---|---|---|
| | | Dr. A J Prasad | Mr. MSS Srinath | |
| 1 | Total Salary | 96.00 | 50.40 | 146.40 |
| 2. | Commission on profit | 191.27 | - | 191.27 |
| | **Total** | **287.27** | **50.40** | **337.67** |

**(ii). Remuneration to other Directors:**

| Fee for attending board / committee meetings | Amount (Rs) |
|---|---|
| Independent Directors | |
| CA. P Ganapathi Rao | 1,85,000 |
| Mrs. Preeti Khandelawal | 1,85,000 |
| **Total** | **3,70,000** |

**(iii). Remuneration to Key Managerial Personnel other than MD / Manager / WTD** (Rs. in lakhs)

| Sr. No | Particulars of Remuneration | Name of Key Managerial Personnel | | | Total |
|---|---|---|---|---|---|
| | | Mrs. Kavita Prasad Chief Financial Officer | MVSS Kumar Company Secretary | K. Mahidhar Vice-President (Finance) (upto 31.8.2017) | |
| | Total Salary | 26.24 | 25.13 | 15.08 | 66.45 |

h. **Penalties / Punishment/ Compounding of Offences: There were no penalties, punishment or compounding of offences during the year ended March 31, 2018.**

# Annexure IV

## Secretarial Audit Report

**FORM NO. MR - 3**
**SECRETARIAL AUDIT REPORT**
**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018**

*[Pursuant to section 204(1) of Companies Act, 2013 and rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,

The Members,
**HBL Power Systems Limited,**
CIN: L40109TG1986PLC006745,
Registered Office :8-2-601, Road No.10,
Banjara Hills, Hyderabad - 500 034, Telangana.

I have conducted the secretarial audit for compliance of applicable statutory provisions and adherence to good corporate practices by HBL Power Systems Limited (hereinafter called the "Company"). Secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2018 (hereinafter called the "Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 and were made available to me, according to the provisions of:

I. The Companies Act, 2013 (the Act) and the rules made thereunder and the Companies (Amendment) Act, 2017 (to the extent notified and applicable);

II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') (as amended by the Finance Act, 2017) and the rules made thereunder;

III. The Depositories Act, 1996 (as amended by the Finance Act, 2017) and the regulations and bye-laws framed thereunder;

IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (as amended from time to time);

V. The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), and the Company has complied wherever applicable:

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (last amended upto August 14, 2017);

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 (last amended on March 6, 2017) regarding the Companies Act and dealing with client; and

d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (last amended on February 15, 2017).

e) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (last amended on August 14, 2017); and

I have also examined compliance with the applicable clauses of the Secretarial Standards on Meetings of the Board of Directors (SS -1) and General Meetings (SS -2) issued by The Institute of Company Secretaries of India effective from July 1, 2015 to September 30, 2017 and the revised Secretarial Standards (SS - 1) and (SS - 2) effective from October 1, 2017.

I have also examined compliance with the applicable clauses of the Uniform Listing Agreement entered by the Company with the Bombay Stock Exchange and National Stock Exchange effective from March 23, 2016.
I report that, during the year under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Notifications, Guidelines, Circulars, Secretarial Standards and the Uniform Listing Agreement issued by the appropriate authorities in this regard mentioned above.

The Company does not have any Foreign Direct Investments and External Commercial Borrowings.

I further report that, there were no events / actions requiring compliance thereof by the Company during the Audit Period in pursuance of:

a) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (last amended on March 6, 2017);

b) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (last amended on February 15, 2017);

c) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (last amended on March 6, 2017);

d) The Securities and Exchange Board of India (Share Based Employee Benefits) Guidelines, 2014 (last amended on March 6, 2017).

I further report that, based on present sector / industry of the Company and on examination of the relevant documents and records in pursuance thereof, on a test-check basis, the Company has complied with the specifically applicable laws including any statutory modification or re-enactment thereof for the time being in force and the rules, regulations, guidelines, notifications, circulars framed thereunder:

I further report that, based on the information provided and the representation made by the Company and also on the review of the compliance reports taken on record by the Board of Directors of the Company, in my opinion, adequate systems and processes exist in the Company to monitor and ensure compliance with provisions of applicable general laws like economic laws, labour laws and environmental laws.

I further report that, the Board of Directors of the Company was duly constituted with proper balance of 2 (Two) Executive Directors, 6 (Six) Non-Executive Directors out of which 4 (Four) are Independent Directors including 2 (Two) Women Director. During the Audit Period, 2 (Two) Directors were appointed in compliance with the applicable provisions of the Act.

I further report that, the Key Managerial Personnel as required under the Act were duly appointed by the Company.

Adequate notice was given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent in advance to all Directors, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the Minutes of the Meetings duly recorded and signed by the Chairman, the decisions of the Board were with requisite majority.

I further report that, based on the review of the compliance reports submitted by the management of the Company, I am of the opinion that there were adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I report further that, during the audit period:

- The Scheme of Arrangement and Amalgamation (Company Petition bearing C.P.No.353/2016 [CP(TCAA)No.33/HDB/2017] between Beaver Engineering & Holdings Private Limited (Transferor Company) and the Company (HBL Power Systems Limited, Transferee Company) with Appointed Date April 1, 2016 was approved by the Hon'ble National Company Law Tribunal vide its order dated May 9, 2017. The Certified True Copy of Order was issued on July 7, 2017, and was filed on August 4, 2017 with the Registrar of Companies, Andhra Pradesh and Telangana.

  On Scheme of Arrangement and Amalgamation being effective, all the assets and liabilities appearing in the books of accounts of the Transferor Company stood transferred and vested in the Transferee Company and the Transferor Company stood dissolved without being wound up.

  On the Scheme of Arrangement and Amalgamation being effective, 17,40,94,389 Equity Shares of Rs.1/- each paid up of Transferee Company were allotted on July 19, 2017 to the shareholders of Transferor Company in the ratio of:

  a. 3,883 fully paid up Equity Shares of Rs.1/- each of Transferee Company issued and allotted as fully paid up for 10 Equity Shares of Rs.10/- each fully paid up held in the Transferor Company (Total Shares Allotted - 1,18,32,5104).

  b. 3,753 fully paid up Equity Shares of Rs.1/- each of Transferee Company issued and allotted as fully paid up for 10 Compulsorily Convertible Preference Shares of Rs.10/- each fully paid up held in the Transferor Company (Total Shares Allotted - 2,89,59,273).

  c. 3,901 fully paid up Equity Shares of Rs.1/- each of Transferee Company issued and allotted as fully paid up for 10 Optionally Convertible Redeemable Preference Shares of Rs.20/- each fully paid up held in the Transferor Company (Total Shares Allotted - 2,68,10,012).

except these, there were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the Company's affairs.

Place: Hyderabad
Date : August 10, 2018

**C.N.Kranthi Kumar**
Company Secretary in Practice
FCS No.: 9255, CP No.: 13889

**This report is to be read with my letter of even date which is annexed as Annexure – 'A' and forms an integral part of this report.**

## Annexure – 'A'

To,

The Members,
**HBL Power Systems Limited,**
CIN: L40109TG1986PLC006745,
Registered Office: 8-2-601, Road No.10,
Banjara Hills, Hyderabad - 500 034, Telangana.

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.

3. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed, provide a reasonable basis for my opinion.

4. I have not verified the correctness and appropriateness of financial records and books of account of the Company.

5. Whereever required, I have obtained management representation about the compliance of laws, rules, regulations, guidelines and happening of events, etc.

6. The compliance of the provisions of corporate and other applicable laws, rules, regulations, guidelines, standards is the responsibility of the management. My examination was limited to the verification of procedures on test basis.

7. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad
Date :August 10, 2018

**C.N.Kranthi Kumar**
Company Secretary in Practice
FCS No.: 9255, CP No.: 13889

Report on
# Corporate Governance
For the year 2017-18

The Directors present the Company's Report on Corporate Governance for the year ended March 31, 2018, in terms of Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The "Listing Regulations").

The Company's Corporate Governance philosophy encompasses not only regulatory and legal requirements in terms Listing Regulations, but also several inherent core values at corporate level of business ethics and to follow the procedures and practices in the best interest of all the corporate stakeholders viz. shareholders, employees, suppliers, financial institutions and customers.

## I. Company's Philosophy

The Company continues to remain committed to a corporate culture of conscience and consciousness, integrity, fairness, transparency, accountability and responsibility for efficient and ethical conduct of its business. The corporate governance philosophy of HBL is based on commitment to ethical business practices which includes information to all the stakeholders', integrity, compliances of regulatory requirements, monitoring of trades by insiders and adherence to internal code of conduct, aimed to maintain the trust of stakeholders.

1. **VALUES:**
    - Fairness to all
    - Innovative spirit
    - Craftsmanship
    - Entrepreneurial opportunism
    - Development of individuals
    - Harmonious co-existence
2. **THE HBL WAY:**
    - To initially try to achieve the very best we can do, and then improve further.
    - Encouragement to self-learning.
    - Compensation based on value added rather than seniority or qualifications.
    - Unconventional when convention comes in the way of business sense.
    - Pride in being Indian.

A report on the compliance with the principles of corporate governance as prescribed in Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule V to the said regulations (as amended and applicable to the reporting period) is given below:

## Governance structure

Your Company's Board of Directors ("Board") decides the policy and strategy for the Company and is responsible for management, directions and performance of the company ensuring adherence to ethics, transparency and disclosures. In the course of discharging their duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Whereas the Board Committees viz, Audit Committee, Nomination & Remuneration Committee, CSR Committee and Stakeholders Relationship Committee have been mandated to operate within the stipulated framework.

## II. Board of Directors

- As on March 31, 2018, the Board of Directors of your Company comprises of a Chairman & Managing Director, one Executive Director, six non-executive directors (i.e. 75% of Board) of which four are independent directors with two woman directors (i.e. 50%). The company is in compliance with the requirements of Section 149 of the Companies Act 2013 (the Act) and Regulation 17 of the SEBI Listing Regulations.

- None of the directors on the Board holds directorships in more than ten public companies. Further none of them is a member of more than ten committees or chairperson of more than five committees across all the public companies in which he/she is a director. Necessary disclosures regarding committee positions in other public companies as on March 31, 2018 have been made by the directors. None of the directors is related to each other except Dr. A J Prasad and Mr. MSS Srinath.

- Independent directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act. The maximum tenure of independent directors is in compliance with the Act. All the independent directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section

149(6) of the Act.The Board meets regularly at quarterly intervals and holds additional meetings as and when appropriate and needed. Five Board meetings were held during the reporting period and the gap between two meetings did not exceed 120 days. Necessary quorum was present for all the meetings. The said meetings were held on May 26, 2017; July 19, 2017; August 11, 2017; October 24, 2017 and February 7, 2018.

- The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and at the last Annual General Meeting (AGM) and the number of Directorships and Committee Chairmanships/ Memberships held by them in other public limited companies as on March 31, 2018 are given below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. For the purpose of determination of limit of the Board Committees, chairpersonship and membership of the Audit Committee and Stakeholders' Relationship Committee has been considered as per Regulation 26(1)(b) of SEBI Listing Regulations.

| Name of the Director | Category # | Board meetings attendance during the year | Attendance at last AGM held on September 26, 2017 | Directorships in other Public Companies @ | | Committee positions held in other Public Companies | |
|---|---|---|---|---|---|---|---|
| | | | | Chairman | Member | Chairman | Member |
| Dr. A J Prasad Chairman and Managing Director (DIN: 00057275) | PED | 4 | Yes | - | - | - | - |
| Mr. MS S Srinath Whole-time-director (DIN:00319175) | ED | 5 | Yes | - | - | - | - |
| CA. P Ganapathi Rao (DIN: 00089685) | NEID | 5 | Yes | - | - | - | - |
| Mrs. Preeti Khandelwal (DIN: 00027999) | NEID | 5 | No | - | - | - | - |
| Mr. Ajay Bhaskar Limaye (DIN: 02762738) | NENID | 2 | No | - | - | - | - |
| Mr. Mitin Jain (DIN: 06390954) | NENID | 4 | No | - | 1 | - | - |
| Mr. K V Sriram (DIN: 00073911) | NEID | - | - | - | 2 | - | - |
| Mrs. Richa Datta (DIN: 08084501) | NEID | - | - | - | - | - | - |

**Note:**

Mr. K V Sriram and Mrs. Richa Datta were appointed as Additional Directors on February 7, 2018 and March 15, 2018 respectively subject to ratification at this Annual General Meeting.

# PED: Promoter and Executive Director; ED: Executive Director; NEID: Non-Executive Independent Director; NENID: Non-Executive Non-Independent Director and NEND: Non-Executive Nominee Director

'@ Directorship in other public entities excludes this company.

- Video / tele-conferencing facilities are also used to facilitate directors travelling abroad or at other locations to participate in the meetings.
- Information mentioned in Part A of Schedule II of the SEBI Listing Regulations was placed before the Board for its consideration wherever applicable during the reporting period.
- During the reporting period a meeting of the Independent Directors was held on October 24, 2017 for review of performance of Non-Independent Directors, Chairman and the Board as a whole.
- Necessary compliance status on applicable laws was placed before the Board for its review.
- Details of equity shares of the Company held by the directors as on March 31, 2018 are given below. The Company has not issued any convertible instruments.

| Name | Category | No of equity shares of Re 1 each |
|---|---|---|
| Dr. A J Prasad | Chairman and Managing Director | 24,25,243 |
| Mr. MSS Srinath | Whole Time Director | 19,06,920 |

## III.Committees of the Board

(1) There are four statutory committees of the Board as on March 31, 2018, details of which are as follows:

<table>
<tr><th>Name of the Committee</th><th>Category and composition</th><th>Extract of terms of reference</th><th>Other details</th></tr>
<tr><td>Audit Committee</td><td><table><tr><td>Name</td><td>Category*</td></tr><tr><td>CA. P. Ganapathi Rao (Chairperson)</td><td>NEID</td></tr><tr><td>Mrs. Preeti Khandelwal</td><td>NEID</td></tr><tr><td>Mr. MSS Srinath</td><td>ED</td></tr><tr><td>Mr. K. V. Sriram @</td><td>NEID</td></tr><tr><td>Mrs. Richa Datta @</td><td>NEID</td></tr></table><br>@ Mr. K V Sriram and Mrs. Richa Datta were appointed as Additional Directors on February 7, 2018 and March 15, 2018 respectively subject to ratification at this Annual General Meeting.</td><td>Extract of terms of reference<br>Committee is constituted in line with the provisions of Regulation 18 of SEBI Listing Regulations and Section 177 of the Act.<br>• Oversight of financial reporting process.<br>• Reviewing with the management, the annual financial statements and auditors' report thereon before submission to the Board for approval.<br>• Evaluation of internal financial controls and risk management systems.<br>• Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.<br>• Approve policies in relation to the implementation of the Insider Trading Code and to supervise implementation of the same.</td><td>Five meetings of the Audit Committee were held during the year and the gap between two meetings did not exceed one hundred and twenty days.<br>• Committee invites head of the finance function, representatives of the statutory auditors, cost and internal auditors, as it considers appropriate, to be present at its meetings.<br>• The Company Secretary acts as the Secretary to the Audit Committee.<br>• The previous AGM of the Company was held on September 26, 2017 and was attended by CA P. Ganapthi Rao, Chairman of the Audit Committee</td></tr>
</table>

| Name of the Committee | Category and composition | Extract of terms of reference | Other details |
|---|---|---|---|
| Nomination and Remuneration Committee | Name — Category*<br>CA. P. Ganapathi Rao (Chairperson) — NEID<br>Mrs. Preeti Khandelwal — NEID<br>Mr. K. V. Sriram — NEID<br>Mrs. Richa Datta — NEID<br>Mr. Mitin Jain — NED | Committee is constituted in line with the provisions of Regulation 19 of SEBI Listing Regulations and Section 178 of the Act.<br>• Recommends to the Board its composition and the set up and composition of the committees.<br>• Recommends to the Board the appointment / re-appointment of Directors and Key Managerial Personnel (KMP).<br>• Carry out evaluation of every director's performance and support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors.<br>• Recommends to the Board the Remuneration Policy for directors, executive team, Key Managerial Personnel, as well as the rest of employees.<br>• Oversee the Human Resource philosophy, Human Resource and People strategy and Human Resource practices including those for leadership development, rewards and recognition, talent management and succession planning.<br>• Oversee familiarization programmes for directors. | One Nomination and Remuneration Committee meeting was held during the year.<br>• The Company does not have any Employee Stock Option Scheme.<br>• Details of Performance Evaluation Criteria and Remuneration Policy are provided in this report. |

<table>
<tr><th>Name of the Committee</th><th>Category and composition</th><th>Extract of terms of reference</th><th>Other details</th></tr>
<tr><td>Stakeholders Relationship Committee</td><td><table><tr><td>Name</td><td>Category*</td></tr><tr><td>CA. P. Ganapathi Rao (Chairperson)</td><td>NEID</td></tr><tr><td>Mrs. Preeti Khandelwal</td><td>NEID</td></tr><tr><td>Mr. K. V. Sriram</td><td>NEID</td></tr><tr><td>Mrs. Richa Datta</td><td>NEID</td></tr></table></td><td>Committee is constituted in line with the provisions of Regulation 20 of SEBI Listing Regulations and Section 178 of the Act.<br><br>• Consider and resolve the grievances of security holders.<br><br>• Consider and approve issue of share certificates, transfer and transmission of securities, etc.</td><td>Thirteen meetings of the Stakeholders' Relationship Committee were held during the year.<br><br>• The Company has always valued its customer relationship. This philosophy has been extended to investor relationship. The Committee focuses on servicing the needs of various stakeholders viz., investors, analysts, brokers and the general public.<br><br>• Details of investor complaints and the Compliance Officer are provided in this report.</td></tr>
<tr><td>Corporate Social Responsibility (CSR) Committee</td><td><table><tr><td>Name</td><td>Category*</td></tr><tr><td>CA. P. Ganapathi Rao (Chairperson)</td><td>NEID</td></tr><tr><td>Mrs. Preeti Khandelwal</td><td>NEID</td></tr><tr><td>Mr. MSS Srinath</td><td>ED</td></tr><tr><td>Mr. K. V. Sriram</td><td>NEID</td></tr><tr><td>Mrs. Richa Datta</td><td>NEID</td></tr></table></td><td>Committee is constituted in line with the provisions of Section 135 of the Act.<br><br>• Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Act.<br><br>• Recommend the amount of expenditure to be incurred on the activities mentioned in the CSR Policy.<br><br>• Monitor the CSR Policy.</td><td>Two meetings of the CSR Committee were held during the year.</td></tr>
</table>

* Category: ED: Executive Director; NEID: Non-Executive Independent Director; NED: Non-Executive Director

(2) Stakeholder Relationship Committee – Other details

a. Name, designation and address of the compliance officer:
MVSS Kumar, Company Secretary
HBL Power Systems Limited
8-2-601, Road 10, Banjara Hills, Hyderabad– 500034
Ph: 040-23355575, fax No. 040-23355048
Email: investor@hbl.in

b.Details of investor complaints received and redressed during the year are as follows:

| Opening balance | Received during the year | Resolved during the year | Closing balance |
|---|---|---|---|
| NIL | 87 | 87 | NIL |

(3) Nomination and Remuneration Committee - other details

The Nomination and Remuneration Committee of the Company is empowered to review the remuneration of the Chairman and Managing Director and the Executive Directors, retirement benefits to be paid to them, recommending on the amount and distribution of commission based on criteria fixed by the Board and approved by the members, if any.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) to its Chairman and Managing Director and the Executive Director and commission (variable component) to its Chairman and Managing Director. Annual increments are recommended by the Nomination and Remuneration Committee within the salary scale approved by the members. The Nomination and Remuneration Committee decides on the commission payable to the Chairman and Managing Director out of the profits for the financial year and within the ceilings prescribed under the Act based on the performance of the Company as well as that of the Executive Directors.

(4) Details of remuneration and fees paid during the year:

a. Directors' remuneration for the year 2017-18 (₹ in lakhs)

| Name of the Director | Designation | Remuneration paid for the year | Commission Paid | Total during the year |
|---|---|---|---|---|
| Dr. A J Prasad | Chairman and Managing Director | 96.00 | 191.27 | 287.27 |
| Mr. MSS Srinath | Whole-Time-Director | 50.40 | - | 50.40 |
| Total | | 146.40 | 191.27 | 337.67 |

Mrs. Kavita Prasad, Chief Financial Officer (who is a relative of the Chairman and Managing Director and Mr. MSS Srinath, Whole-time Director) has been paid a remuneration of ₹ 26.24 lakhs and ₹ 7.03 lakhs as rental charges for the premises owned by her, which was leased by the Company.

b. Independent Directors were paid sitting fees for the board meetings in 2017-18.

| Name of Directors | Meetings Attended | Sitting fees paid (₹) |
|---|---|---|
| CA. P. Ganapthi Rao | 5 | 1,85,000 |
| Mrs. Preeti Khandelwal | 5 | 1,85,000 |
| Mr. K. V. Sriram * | - | - |
| Mrs. Richa Datta * | - | - |
| Total | | 3,70,000 |

* Mr. K V Sriram and Mrs. Richa Datta were appointed as Additional Directors on February 7, 2018 and March 15, 2018 respectively subject to ratification at this Annual General Meeting.

(5). Number of committee meetings held and attendance record:

(i) Number of committee meetings

| Name of the Committee | Audit Committee | Nomination and Remuneration committee | Stakeholders Relationship Committee | Corporate Social Responsibility Committee |
|---|---|---|---|---|
| Number of meetings held and dates on which meetings were held | Five meetings held on 25.05.2017; 19.07.2017; 11.08.2017; 24.10.2017; and 07.02.2018 | One meeting held on 07.02.2018 | Thirteen meetings held on 23/05/2017; 13/06/2017; 22/06/2017; 06/07/2017; 10/07/2017; 25/07/2017; 21/08/2017; 26/09/2017; 12/10/2017; 10/11/2017; 13/12/2017; 04/01/2018; and 05/02/2018 | Two meetings held on 25.05.2017; and 24.10.2017 |

(ii) Attendance record

| Name of the Committee | Audit Committee | Nomination and Remuneration committee | Stakeholders Relationship Committee | Corporate Social Responsibility Committee |
|---|---|---|---|---|
| **Name of the committee member** | | | | |
| Mr. MSS Srinath | 5 | - | 13 | 2 |
| CA. P Ganapathi Rao | 5 | 1 | 13 | 2 |
| Mrs. Preeti Khandelwal | 5 | 1 | 13 | 2 |
| Mr. Mitin Jain | - | 1 | - | - |
| Mr. K V Sriram | - | - | - | - |
| Mrs. Richa Datta | - | - | - | - |

## IV. General Meetings

(1) (a) Annual General Meetings:

| Date | Venue | Time |
|---|---|---|
| September 29, 2015 | Federation of Telangana and AP Chambers of Commerce & Industry, Red Hills, Hyderabad-500 004, Telangana State | 4.00 pm |
| September 29, 2016 | | |
| September 26, 2017 | | |

(a) Extraordinary General Meeting:

No extraordinary general meeting was held during the financial year 2017-18

(b) Special Resolutions:

No special resolution was passed by the Company in any of its previous two AGMs. At the AGM held on September 29, 2015 two special resolutions were passed.

(2) Details of special resolution passed through postal ballot:

No resolution was passed by postal ballot during the reporting period.

## V. Other disclosures

| Particulars | Legal requirement | Details |
|---|---|---|
| Related party transaction | Regulation 23 of the SEBI Listing Regulations and as defined under the Act | All transactions entered into with related parties as defined under the Companies Act, 2013 and rules made thereunder and Regulation 23 of SEBI (LODR) Regulations, 2015 during the financial year were in the ordinary course of business. These have been approved by the audit committee from time to time. However, there are no material related party transactions during the year that have conflict of interest of the Company. |
| Details of Non - Compliance by the Company | Schedule V(C) 10(b) to the SEBI Listing Regulations | There were no cases of non-compliance during the last three financial years 2015-16, 2016-17 and 2017-18. |
| Whistle Blower Policy and Vigil Mechanism | Regulation 22 of SEBI Listing Regulations | The Company has a general Whistle Blower Policy and has established the necessary vigil mechanism for directors and employees to report concerns about unethical behavior. No person has been denied access to the Chairman of the Audit Committee. The said policy has been uploaded on the website of the Company. The same is available on the website of the company at http://hbl.in/whistle-blower-policy.pdf |
| Subsidiary Companies | Regulation 24 of SEBI Listing Regulations | As per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to make certain disclosures of "material subsidiaries" of the Company in corporate governance. In terms of Regulation 16(C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 a "material subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.<br>Since the Company does not have any material subsidiary, requirement of disclosure does not arise. However, the financial statements of the subsidiaries are available on the website of the company at http://hbl.in/investors-continue.php. |

| Particulars | Legal requirement | Details |
|---|---|---|
| Code of Conduct | Regulation 17 of SEBI Listing Regulations | The members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct applicable to them during the year ended March 31, 2018. The Annual Report of the Company contains a certificate by the Chief Executive Officer and Managing Director, on the compliance declarations received from Independent Directors, Non-Executive Directors and Senior Management. The code is made available on the website of the company at http://hbl.in/reports/code_of_conduct_directors.pdf |
| Risk management | Non-mandatory | The Board has been very meticulous in making aware all the members about the potential hazards that the company can be exposed to. It is this meticulous functioning and close monitoring that the Company has a distinct advantage of reducing the hazards be it a business or financial risk or legal and statutory risk or a management risk. In fact the very philosophy of the corporate governance vouches the effort in imparting the right education and management practices at functional level to review Company's risk mitigation strategies relating to identified key risks as well as the processes for monitoring and mitigating such risks. |
| Non-mandatory requirement | Non-mandatory | The Company has not adopted the non-mandatory requirements as specified in C(10)(d) Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. |

## VI. Means of communication

The quarterly, half-yearly and annual financial results of the Company are published in newspapers viz. Financial Express in English and Nava Telangana in Telugu. The results are also displayed on the Company's website www.hbl.in/investor. Statutory notices are published in Financial Express in English and Nava Telangana in Telugu. Financial Results, Statutory Notices after the declaration of the quarterly, half-yearly and annual results are submitted to the National Stock Exchange of India Limited and BSE Limited as well as uploaded on the Company's website. A Management Discussion and Analysis Report is a part of this Annual Report.

## VII. General shareholder information

| | | |
|---|---|---|
| 1 | Forthcoming Annual General Meeting - Date, Time & Venue | September 27, 2018 at 4.00 PM<br>KLN Prasad Auditorium, Federation of Telangana and AP Chambers of Commerce and Industry, Red Hills, Hyderabad – 500 004 |
| 2 | Financial year | 2017-18 |
| | Financial reporting: | |
| | First quarter ending 30/06/17 | August 11, 2017 |
| | Half-year ending 30/09/17 | October 24, 2017 |
| | Third quarter ending 31/12/17 | February 07, 2018 |
| | Audited annual results | Standalone : May 28, 2018 |
| 3 | Dates of book-closure | 21.09.2018 to 27.09.2018 (both days inclusive) |
| 4 | Dividend | Dividend on equity share capital @ 25% |
| 5 | Registered office and Secretarial office | 8-2-601, Rd. No.10, Banjara Hills, Hyderabad- 500 034<br>Contact person: Company Secretary<br>Phone: 040-2335 5575, Fax: 040-2335 5048<br>E-Mail: contact@hbl.in; investor@hbl.in |
| 6 | Registrars for Electronic Transfer and Physical Transfer of Shares | Karvy Computershare Private Limited<br>Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500 032<br>Contact Person: Mr. B Srinivas, Deputy Manager<br>Phone nos. + 91-40-67161530<br>E-mail : mailmanager@karvy.com |
| 7 | Plant locations | 1. Aliabad, Shameerpet, RR Dist., TS<br>2. Nandigoan, Kothur, Mahabubnagar Dist., TS<br>3. Seripally, Bhoothpur, Mahabubnagar Dist., TS<br>4. Kandivalasa, Posapatirega, Vizainagaram, AP<br>5. VSEZ, Visakhapatnam, AP<br>6. Thumkunta, Shameerpet, RR Dist, TS |
| 8 | Listing on Stock Exchanges | BSE Limited (BSE) |
| | | National Stock Exchange of India Limited (NSE) |
| 9 | Stock Code-BSE | 517271 |
| | NSE trading code | HBL POWER |
| | ISIN number | INE 292B01021 |

## VIII. Distribution of shareholding as on March 31, 2018

| Shareholder category | No. of shares held | % of shares held |
|---|---|---|
| a. Indian promoters and relatives | 15,62,04,142 | 56.35 |
| b. Foreign promoters | Nil | Nil |
| c. Foreign collaborator | Nil | Nil |
| d. Others (Public, Bodies Corporate, etc.) | 12,09,90,804 | 43.65 |
| **Total** | **27,71,94,946** | **100.00** |

## IX. Distribution Schedule as on March 31, 2018 is as follows

| S.No | Category | No of Shareholders | % of Shareholders | No. of shares | % to total equity |
|---|---|---|---|---|---|
| 1 | 1-5000 | 45,442 | 96.91 | 2,49,70,927 | 9.01 |
| 2 | 5001- 10000 | 819 | 1.75 | 62,19,847 | 2.24 |
| 3 | 10001- 20000 | 323 | 0.69 | 45,85,433 | 1.65 |
| 4 | 20001- 30000 | 102 | 0.22 | 25,32,089 | 0.91 |
| 5 | 30001- 40000 | 65 | 0.14 | 23,06,626 | 0.83 |
| 6 | 40001- 50000 | 28 | 0.06 | 12,92,225 | 0.47 |
| 7 | 50001- 100000 | 55 | 0.12 | 39,26,222 | 1.42 |
| 8 | 100001& Above | 58 | 0.12 | 23,13,61,577 | 83.47 |
| | Total: | 46,892 | 100.00 | 27,71,94,946 | 100.00 |

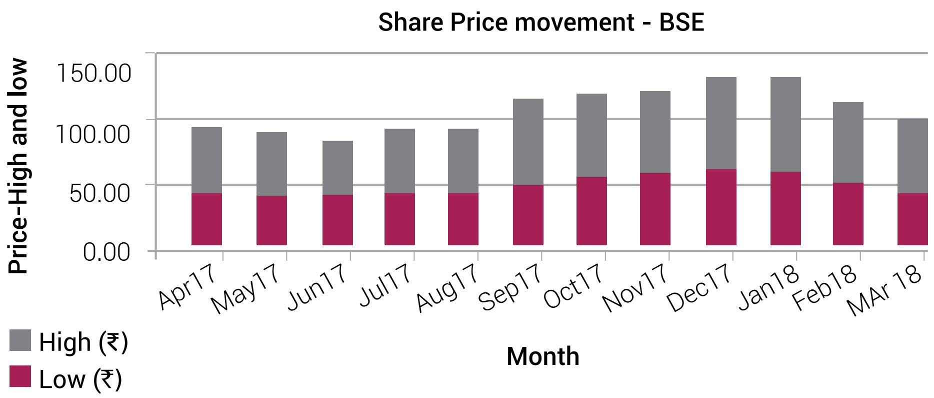
## X. Top ten shareholders as on March 31, 2018 (other than promoters / promoters group)

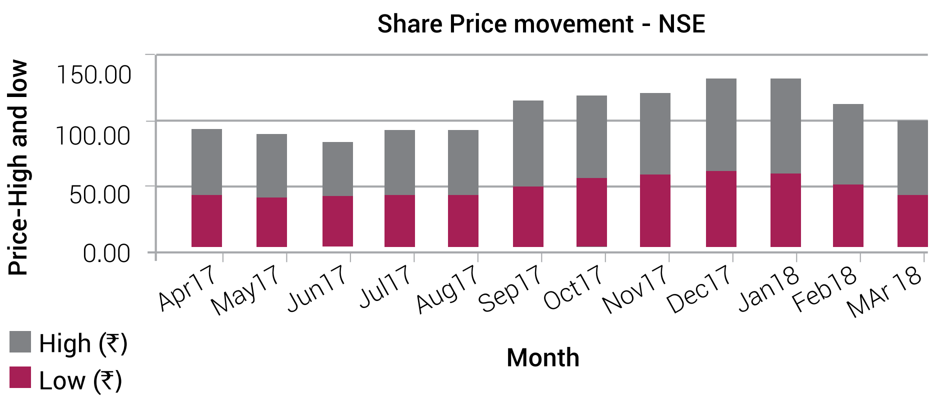
| S.No | Name of the shareholder<br>Shareholding is consolidated based on permanent account number (PAN) of the Shareholder. | No. of Shares of Re1 each | % of total shares of the company |
|---|---|---|---|
| 1 | Banyantree Growth Capital LLC | 2,89,83,735 | 10.46 |
| 2 | Oman India Joint Investment Fund | 2,68,42,240 | 9.68 |
| 3. | IDFC Sterling Equity Fund | 58,00,000 | 2.09 |
| 4. | IDFC Tax Advantage (ELSS) Fund | 14,00,000 | 0.51 |
| 5. | Bharat Taparia | 10,90,000 | 0.39 |
| 6. | L and T Mutual Fund Trustee Ltd-L AND T Infrastructure Fund | 10,60,200 | 0.38 |
| 7. | Investor Education and Protection Fund | 9,72,210 | 0.35 |
| 8. | The Emerging Markets Small Cap Series of the DFA Investment Trust Company | 6,01,914 | 0.22 |
| 9. | Elsamma Joseph | 5,00,000 | 0.18 |
| 10. | Ganesh Srinivasan | 5,00,000 | 0.18 |

## XI. Stock market price data during 2017-18

Stock market price (high, low based on closing prices) and number of equity shares traded during each month in the year 2017-18 on NSE and BSE:

| Month | BSE Limited | | | National Stock Exchange | | |
|---|---|---|---|---|---|---|
| | Price | | No. of shares traded | Price | | No. of shares traded |
| | High | Low | | High | Low | |
| Apr-17 | 51.35 | 43.00 | 35,66,767 | 51.35 | 43.00 | 1,18,94,741 |
| May-17 | 50.75 | 40.15 | 19,56,633 | 50.75 | 40.10 | 76,96,694 |
| Jun-17 | 44.70 | 39.50 | 8,59,695 | 45.00 | 39.00 | 33,63,795 |
| Jul-17 | 52.80 | 40.80 | 32,99,529 | 52.90 | 40.95 | 1,38,69,053 |
| Aug-17 | 51.00 | 42.75 | 10,93,132 | 51.15 | 42.10 | 56,21,083 |
| Sep-17 | 70.65 | 48.25 | 1,08,63,076 | 70.75 | 48.25 | 5,06,24,146 |
| Oct-17 | 68.25 | 54.50 | 71,53,188 | 68.15 | 54.25 | 3,11,95,269 |
| Nov-17 | 67.00 | 57.50 | 63,15,747 | 67.00 | 57.65 | 2,61,83,906 |
| Dec-17 | 75.00 | 61.20 | 95,56,610 | 75.25 | 61.10 | 4,76,49,678 |
| Jan-18 | 76.40 | 60.00 | 50,05,315 | 76.50 | 60.00 | 2,21,48,330 |
| Feb-18 | 63.70 | 51.20 | 23,44,510 | 63.90 | 50.00 | 92,72,474 |
| Mar-18 | 59.00 | 42.65 | 18,46,698 | 58.95 | 42.80 | 92,29,207 |



## XII. Payment of dividend

As per the SEBI Listing Regulations, 2015, the Company shall use any electronic mode of payment approved by the Reserve Bank of India for making payment to the members. Where dividend payments are made through electronic mode, intimations regarding such remittance would be sent separately to the members. Where the dividend cannot be paid through electronic mode, the same will be paid by warrants. For enabling the payment of dividend through electronic mode, members holding shares in physical form are requested to furnish, updated particulars of their bank account, to the share transfer agent of the Company.

## XIII. Transfer of unpaid / unclaimed dividend amount and shares to Investor Education and Protection Fund:

Pursuant to Sections 124 and 125 of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), dividends, if not claimed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ("IEPF").

Further, shares in respect of the dividends which have not been claimed for a period of 7 consecutive years are also liable to be transferred to the demat account of the IEPF Authority except for the cases of shares in respect of which there is a specific order of Court, Tribunal or Statutory Authority, restraining any transfer of the shares. The provisions relating to transfer of shares in to the account of IEPF Authority were made effective by the Ministry of Corporate Affairs, vide its Notification dated October 13, 2017 read with the circular dated October 16, 2017. According to the circulars, where the period of 7 consecutive years, as above, was completed or being completed during the period from September 7, 2016 to October 31, 2017, the shares representing such unclaimed dividends were liable to be transferred on or before October 31, 2017.

In light of the aforesaid provisions, the Company during the year has, transferred to IEPF the shares representing unclaimed dividends for 7 consecutive years or more to the demat account of IEPF Authority. The details of the shares transferred to IEPF during the year 2017-18 are as follows:

| Financial year | Number of shares transferred | No of records | Date of transfer |
|---|---|---|---|
| 2008-2009 | 9,72,210 | 824 | 07.12.2017 |

The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in the prescribed Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend/shares so transferred.

The Company has transferred the balance of unclaimed dividend amount of ₹ 5,35,811/- for Financial Year 2009-2010 to the Central Government's Investor Education and Protection Fund (IEPF) account on November 08, 2017. We insist the members to claim, as early as possible, the dividend amount remain in the Company's unpaid dividend accounts for the respective years mentioned hereunder. Please note that upon expiry of the statutory period of Seven years as indicated in the last column of the table below, the amount shall be liable for transfer to IEPF, Government of India, thus the entitlement for any such claims would have to be forfeited thereafter

| AGM in which declared | Financial year | Date of declaration | Rate of dividend | Total dividend declared ₹ | Unclaimed dividend as on 31.03.2018 ₹ | Due for transfer to IEPF |
|---|---|---|---|---|---|---|
| 25th | 2010-11 | 05.09.2011 | 10% | 2,53,00,000 | 2,51,097 | 12.10.2018 |
| 26th | 2011-12 | 24.12.2012 | 15% | 3,79,50,000 | 4,57,532 | 30.01.2020 |
| 27th | 2012-13 | 28.09.2013 | 15% | 3,79,50,000 | 3,78,371 | 04.11.2021 |
| 28th | 2013-14 | 27.12.2014 | 20% | 5,06,00,000 | 5,36,219 | 02.02.2022 |
| 29th | 2014-15 | 29.09.2015 | 20% | 5,06,00,000 | 5,21,733 | 05.11.2023 |
| 30th | 2015-16 | 29.09.2016 | 25% | 6,32,50,000 | 6,46,997 | 05.11.2024 |
| 31st | 2016-17 | 26.09.2017 | 25% | 6,93,01,502 | 6,63,760 | 02.11.2025 |

## XIV. Share transfer system

Transfer of equity shares in electronic form is done through the depositories with no involvement of the Company. Transfer of equity shares in physical form is processed by Karvy Computershare Private Limited within 10 to 12 working days from the date of receipt, if the documents are complete in all respects. The Stakeholders Relationship Committee is authorised to approve transfers.

## XV. Dematerialization of shares and liquidity as on March 31, 2018

| Form of existence | Agency | No of Share Holders | No of shares | % of Total Issued Capital |
|---|---|---|---|---|
| Demat | Central Depositaries Securities Limited | 19,978 | 1,76,95,210 | 6.38 |
| Demat | National Securities Depositories Limited | 24,685 | 25,65,72,062 | 92.56 |
| Physical | - | 2,229 | 29,27,674 | 1.06 |
| Total | 46,892 | 27,71,94,946 | 100.00 | |

The Company's shares are compulsorily traded in dematerialised form on NSE and BSE. Equity shares of the Company representing 98.94% of the Company's equity share capital are dematerialised as on March 31, 2018. Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE 292BO1021.

In case of enquiries relating to shareholders accounting records, share transfers, transmissions of shares, change of addresses for physical shares, or non-receipt of dividend warrants, loss of share certificates etc. should be addressed to the Company's offices mentioned above or its Registrars.

There are no outstanding GDRs, ADRs, Warrants or Convertible Instruments etc. as on March 31, 2018

## XVI. CMD and CFO certification

The certificate from Chairman and Managing Director and Chief Financial Officer of the Company regarding compliance as per Clause D of the Schedule V of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 is annexed.

## XVII. Compliance certificate

The Certificate on compliance with Corporate Governance by the Secretarial Auditor of the Company as required under Clause E of the Schedule V of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 is annexed.

## XVIII.Cautionary statement

Certain statements in the Management Discussion and Analysis describing the Company's view about the industry, objectives and expectations etc. may be considered as 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied in the statement. The Company's operations may be affected with supply and demand situation, input prices and their availability, economic developments, changes in Government regulations, tax laws and other external factors. Investors should bear the above in mind.

For and on behalf of the Board

Place: Hyderabad
Date: August 10, 2018

**Dr A J Prasad**
Chairman & Managing Director

**IMPORTANT COMMUNICATION TO MEMBERS**

The Ministry of Corporate Affairs has taken "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice / documents including annual reports can be sent by an e-mail to its members. This will also ensure prompt receipt of communication and avoid loss in postal transit. These documents will also be available on the Company's website i.e. www.hbl.in for download by the shareholders.

To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses by writing an e-mail to hblpowercs@karvy.com with subject as E-mail for Green Initiative' mentioning their Folio No./Client ID. Members holding shares in electronic form may register / update their e-mail addresses with the Depository through their concerned Depository Participant(s).

## DECLARATION

As provided under Clause D of the Schedule V of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the Board Members and the Senior Management personnel have affirmed to the compliance with Code of Conduct for the year ended March 31, 2018.

For and on behalf of the Board

Place: Hyderabad
Date: August 10, 2018

**Dr A J Prasad**
Chairman & Managing Director

## CEO AND CFO CERTIFICATION

We, A J Prasad, Chairman and Managing Director, Mrs. Kavita Prasad, CFO, responsible for the financial functions certify that:

A. we have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

   (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with Ind AS existing accounting standards, applicable laws and regulations.

B. There are to the best of their knowledge and belief, no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.

C. we accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

D. we have indicated to the auditors and the Audit committee

   (1) significant changes in internal control over financial reporting during the year;

   (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   (3) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

**Dr A J Prasad**
Chairman and Managing Director

**Mrs. Kavita Prasad**
Chief Financial Officer

Place: Hyderabad
Date: August 10, 2018

# CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To
The Members of
**M/s HBL Power Systems Limited**

I have examined all applicable records of HBL Power Systems Limited, for the purpose of certifying compliance of the conditions of Corporate Governance pursuant to Part C of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") read with Regulation 34(3) of the Listing Regulations for the financial year ended March 31, 2018. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of certification.

The compliance of the regulations of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the regulations of Corporate Governance. This Certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, for the financial year ended March 31, 2018.

**C.N.Kranthi Kumar**
Company Secretary in Practice
FCS No.: 9255, CP No.: 13889

Place: Hyderabad
Date: August 10, 2018

# STANDALONE
## Financial Statements

# Independent Auditor's Report

To the Members of
**HBL Power Systems Limited, Hyderabad**

## Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of HBL Power Systems Limited, Hyderabad ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of Changes in Equity for the year ended on that date and a summary of the significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements").

## Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in sub-section 5 of Section 134 of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") prescribed under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under sub-section 10 of Section 143 of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

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

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

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the

Company as at March 31, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in exercise of powers conferred by sub-section 11 of section 143 of the Act, we enclose in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by sub-section 3 of Section 143 of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act, read with relevant rules issued thereunder;

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

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" 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:

   1. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 38.2 to the standalone Ind AS financial statements;

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

   3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Rao & Kumar**
Chartered Accountants
Firm's Registration Number 03089S

**Anirban Pal**
Partner
Membership Number 214919

Place : Hyderabad
Date : May 28, 2018

# Annexure - A :

(Referred to in Paragraph 1 of 'Report on Other Legal and Regulatory Requirements' in our report of even date)

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

(b) The management has carried out physical verification of assets in accordance with a designed programme. In our opinion the periodicity of the physical verification is reasonable. No material discrepancies were noticed on such verification.

(c) According to the information and explanations furnished to us and on the basis of our examination of the records of the company and read together with Note no. 4.2 of the Financial Statements, the details of title deeds of immovable properties not held in the name of the company, for the reasons stated therein the said note, are as follows:

₹ in lakhs

| Fixed Asset | No. of Cases | Gross Block as at March 31, 2018 | Net Block as at March 31, 2018 |
|---|---|---|---|
| Freehold Land | 8 | 508.83 | 508.83 |
| Non-Factory Buildings | 2 | 118.44 | 79.05 |
| Total | 10 | 626.27 | 587.88 |

(ii) The Inventories within the factory premises/stores and at branches have been physically verified by the management during the year and also at the year end. For materials lying with ancillary parties confirmations have been obtained in some cases. In our opinion, the frequency of verification is reasonable. The discrepancies noticed, upon verification, between physical stocks and book records were not material and such differences have been properly dealt with in the books of account.

(iii) As at the year end, there are no outstanding loans granted by the Company to parties covered in the Register maintained under Section 189 of the Act. As there are no outstanding loans as at March 31, 2018, Paragraph 3 (iii) (a) to (c) of the Order are considered inapplicable.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans, investments, guarantees and security.

(v) The company has not accepted any deposits to which provisions of Sections 73 to 76 and other relevant provisions of the Act are applicable.

(vi) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Act and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, the company is regular in depositing the 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, Goods and Services Tax (GST) and other statutory dues with the appropriate authorities

(b) According to the information and explanations given to us, the following demands have not been deposited on account of disputes.

| Name of the Statute | Nature of the dues and Period to which it relates | Amount ₹ in Lakhs | Forum where the Dispute is pending as at March 31, 2018 |
|---|---|---|---|
| Excise Act | Duty, Interest and Penalty for the period from 1994-95 to 1998-99. | 94.85 | Departmental Appeal before High Court, Mumbai |
| Excise Act | Dispute relating to Irregular availment of benefit for the period 2010-11, Feb-Sept 2012, Oct 12 – May 2013, Dec-08 to Feb-14 and Feb-14 to Dec- 14 | 419.36 | CESTAT, Bengaluru / Hyderabad |
| Excise Act | Irregular availment of CENVAT Credit for 2014-15 | 116.78 | Commissioner Appeals, Visakhapatnam |
| Customs Act | Dispute relating to alleged evasion of duty by claiming wrong classification and exemption and equal amount levied as penalty. | 470.37 | Tribunal, Chennai. |
| Customs Act | Dispute relating to alleged evasion of duty by claiming wrong classification and exemption and equal amount levied as penalty. | 2.83 | Tribunal, Hyderabad. |
| CST Act | Dispute relating turnover for the years 2005-06 and 2007-08 | 45.07 | TVATAT, Hyderabad |
| CST Act | Dispute relating to Non-submission of forms for the years 2010-11 and 2011-12 | 2.32 | CT, Appeals, Lucknow |
| CST, VAT and Entry tax Acts | Dispute relating to interest demand for alleged non-payment of assessed tax | 9.42 | Joint Commissioner of Commercial Taxes, , Appeals, Patna |
| KVAT Act | Dispute Relating to turnover for the years 2010-11, March 2012, 2011-12 and 2015-16 | 72.92 | Deputy Commissioner Appeals, Ernakulum. |
| TNVAT Act | Dispute relating to alleged ineligible claim for the month of February 2011 | 30.69 | ADC, CT, Chennai |
| TSVAT Act | Dispute relating to Input Tax Credit for the years 2011-12 and 2012-13 | 4.35 | TVATAT, Hyderabad |
| VAT Act | Dispute relating to Turnover for the year 2013-14 | 10.88 | CCT Appeals, Patna |
| Entry Tax | Dispute relating to Turnover for the years from 2012-13 to 2016-17 | 176.56 | ADC, Hyderabad |

(viii) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of loans or borrowings to a financial institution, Bank or Government. The company had not issued any Debentures.

(ix) The Company had not raised any money by way of Initial Public Offer or further Public Offer (including Debt Instruments). Based on review of the records of the term loan drawn and utilization thereof on an overall basis, the term loans have been applied for the purposes for which the loans were raised

(x) Based upon the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by the Company or on the Company by its Officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for Managerial Remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly Paragraph 3 (xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the Financial Statements as required by the applicable Accounting Standards.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into Non-Cash transactions with Directors or persons connected with them. Accordingly Paragraph 3(xv) of the Order is not applicable.

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

For **Rao & Kumar**
Chartered Accountants
Firm's Registration Number 03089S

**Anirban Pal**
Partner
Membership Number 214919

Place : Hyderabad
Date : May 28, 2018

# Annexure - B :

(Referred to in Paragraph 2(f) of 'Report on Other Legal and Regulatory Requirements' in our report of even date)

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

We have audited the internal financial controls over financial reporting of HBL Power Systems Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Meaning of Internal Financial Controls over Financial Reporting
A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A

company's internal financial control over financial reporting 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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

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

For **Rao & Kumar**
Chartered Accountants
Firm's Registration Number 03089S

**Anirban Pal**
Partner
Membership Number 214919

Place : Hyderabad
Date : May 28, 2018

# BALANCE SHEET as at March 31, 2018

(₹ in Lakhs)

| | Particulars | Note | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|---|
| I) | **ASSETS** | | | | | |
| 1 | **Non current assets** | | | | | |
| | (a) Property, plant and equipment | 4 | 34,799.88 | | 39,758.09 | |
| | (b) Capital works in progress | 6 | 386.82 | | 816.49 | |
| | (c) Intangible assets | 7 | 1,511.51 | | 1,883.23 | |
| | (d) Intangible assets under development | 8 | 2,214.55 | 38,912.76 | 2,519.97 | 44,977.78 |
| | (e) Financial assets | | | | | |
| | (i) Investments | 9 | 342.13 | | 841.65 | |
| | (ii) Other financial assets | 10 | 3,353.18 | | 2,677.03 | |
| | (f) Other non current assets | 11 | 140.20 | 3,835.51 | 259.47 | 3,778.15 |
| 2 | **Current assets** | | | | | |
| | (a) Inventories | 12 | 36,411.46 | | 40,436.19 | |
| | (b) Financial assets | | | | | |
| | (i) Investments | 9 | 2.00 | | 1.31 | |
| | (ii) Trade receivables | 13 | 46,651.00 | | 48,866.87 | |
| | (iii) Cash and cash equivalents | 14 | 557.21 | | 303.15 | |
| | (iv) Other bank balances | 14 | 1,297.34 | | 1,956.63 | |
| | (v) Others | 14 | 1,030.08 | | 851.63 | |
| | (c) Current tax assets (net) | 15 | 333.01 | | 0.00 | |
| | (d) Other current assets | 16 | 3,535.18 | | 6,298.00 | |
| | (e) Assets held for sale | 5 | 2,088.16 | 91,905.44 | 0.00 | 98,713.78 |
| | **Total** | | | **1,34,653.71** | | **1,47,469.71** |
| II) | **EQUITY AND LIABILITIES** | | | | | |
| 1 | **Equity** | | | | | |
| | (a) Equity share capital | 17 | 2,771.95 | | 2,771.95 | |
| | (b) Other equity | 18 | 73,289.92 | 76,061.87 | 71,168.42 | 73,940.37 |
| 2 | **Non current liabilities** | | | | | |
| | (a) Financial liabilities | | | | | |
| | (i) Borrowings | 19 | 451.53 | | 2,592.45 | |
| | (b) Provisions | 20 | 201.75 | | 213.49 | |
| | (c) Deferred tax liabilities (net) | 21 | 1,407.68 | | 1,116.90 | |
| | (e) Other non current liabilities | 22 | 111.83 | 2,172.79 | 167.77 | 4,090.61 |
| 3 | **Current liabilities** | | | | | |
| | (a) Financial liabilities | | | | | |
| | (i) Borrowings | 23 | 33,819.82 | | 43,009.15 | |
| | (ii) Trade payables | 24 | 12,388.05 | | 16,545.68 | |
| | (iii) Other financial liabilities | 25 | 6,585.07 | | 4,939.39 | |
| | (b) Other current liabilities | 26 | 2,255.85 | | 2,959.51 | |
| | (c) Provisions | 20 | 1,370.26 | | 1,720.74 | |
| | (d) Current tax liabilities (net) | 27 | 0.00 | 56,419.05 | 264.26 | 69,438.73 |
| | **Total** | | | **1,34,653.71** | | **1,47,469.71** |

The accompanying notes 1 to 44 form an integral part of this standalone financial statements

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : May 28, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

## STATEMENT OF PROFIT & LOSS for the year ended March 31, 2018

*(₹ in Lakhs)*

| | Particulars | Note | Year Ended March 31, 2018 | | Year Ended March 31, 2017 | |
|---|---|---|---|---|---|---|
| | **Revenue** | | | | | |
| I | Revenue from operations | 28 | | 1,62,411.26 | | 1,52,986.23 |
| II | Other income | 29 | | 2,271.99 | | 1,720.51 |
| **III** | **Total income (I + II)** | | | 1,64,683.25 | | 1,54,706.74 |
| **IV** | **Expenses** | | | | | |
| | Cost of material consumed | 30 | | 1,01,487.10 | | 88,947.18 |
| | Purchases of stock in trade | | | 1,212.26 | | 588.09 |
| | Changes in inventories of finished goods, stock-in-trade and work-in-progress | 31 | | 3,486.95 | | (1,195.48) |
| | Excise duty on sale of goods | | | 3,118.51 | | 12,264.37 |
| | Employee benefits expense | 32 | | 9,430.32 | | 9,644.95 |
| | Finance costs | 33 | | 4,054.57 | | 4,621.68 |
| | Depreciation and amortization expense | 34 | | 4,603.19 | | 4,817.75 |
| | Other expenses | 35 | | 31,090.81 | | 29,732.22 |
| | **Total expenses (IV)** | | | **1,58,483.71** | | **1,49,420.76** |
| **V** | **Profit before exceptional items and tax (III-IV)** | | | **6,199.54** | | **5,285.98** |
| VI | Exceptional items - (income)/expense | 36 | | 975.77 | | 279.03 |
| **VII** | **Profit before tax (V-VI)** | | | **5,223.77** | | **5,006.95** |
| **VIII** | **Tax expense** | | | | | |
| | (1) Current tax | | 2,242.00 | | 1,950.00 | |
| | (2) Deferred tax (asset)/liability | | 296.12 | | (262.19) | |
| | (3) Income tax relating to previous years | | (280.04) | 2,258.08 | (66.92) | 1,620.89 |
| **IX** | **Profit for the period (VII-VIII)** | | | **2,965.69** | | **3,386.06** |
| **X** | **Other comprehensive income (net)** | | | | | |
| | Items that will not be reclassified to profit or loss - | | | | | |
| | remeasurement of defined benefit plans | | 15.44 | | 253.36 | |
| | Income tax | | (5.34) | 10.10 | (87.68) | 165.68 |
| **XI** | **Total comprehensive income for the period (IX + X)** | | | | | |
| **XII** | **Earnings per equity share** | | | **2,955.59** | | **3,220.38** |
| | (1) Basic (of ₹1/- each) | 37 | | | | |
| | (2) Diluted (of ₹1/- each) | | | 1.07 | | 1.16 |
| | | | | 1.07 | | 1.16 |

The accompanying notes 1 to 44 form an integral part of this standalone financial statements

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : May 28, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# CASH FLOW STATEMENT for the year ended March 31, 2018

(₹ in Lakhs)

| | Particulars | 31-Mar-18 | | 31-Mar-17 | |
|---|---|---|---|---|---|
| A | **Cash flow from operating activities** | | | | |
| | Net profit before tax and exceptional items | | 6,199.54 | | 5,285.98 |
| | Exceptional items - income / (expenditure) * | | (975.77) | | (279.03) |
| | Other comprehensive income (net) | | 15.44 | | 253.36 |
| | **Total comprehensive income before tax** | | **5,208.33** | | **4,753.59** |
| | Adjustments for: | | | | |
| | Depreciation | 3,940.92 | | 3,970.63 | |
| | Amortisation of intangible assets | 662.27 | | 847.11 | |
| | Diminution in value of investments | 498.82 | | 623.37 | |
| | Profit on sale of investments | - | | (439.10) | |
| | Loss on sale of assets | 476.26 | | 94.77 | |
| | Advances & deposits written off | 127.04 | | 197.97 | |
| | Interest income | (355.48) | | (337.59) | |
| | Interest expense | 2,840.68 | | 3,696.82 | |
| | Provision for doubtful debts | (440.00) | | 350.00 | |
| | Other provisions | (362.22) | 7,388.29 | 74.46 | 9,078.44 |
| | | | 12,596.62 | | 13,832.03 |
| | **Operating profit before working capital changes** | | | | |
| | (Increase)/decrease in trade receivables | 2,655.88 | | (5,040.50) | |
| | (Increase)/decrease in inventories | 4,024.73 | | (1,170.26) | |
| | (Increase) / decrease in loans & advances ** | 2,440.46 | | (909.48) | |
| | Increase/(decrease) in trade payables | (4,157.62) | | 177.44 | |
| | Increase/(decrease) in current liabilities | 738.53 | 5,701.97 | (1,822.81) | (8,765.61) |
| | | | | | |
| | Cash generated from operations | | 18,298.59 | | 5,066.42 |
| | Income tax paid net of refunds | | (2,839.27) | | (884.77) |
| | Income tax adjustment relating to previous years | | 280.04 | | 66.92 |
| | Deferred tax asset on account of business combination | | - | | (3.30) |
| | **Net cash flow from operating activities (A)** | | **15,739.36** | | **4,245.27** |
| | | | | | |
| B | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | (1,582.44) | | (3,873.13) | |
| | Sale proceeds of fixed assets | 599.13 | | 107.18 | |
| | Addition of investments on account of business combination | - | | (163.15) | |
| | Sale proceeds of investments | - | | 600.95 | |
| | Interest received | 355.48 | | 337.59 | |
| | Increase in equity on account of business combination *** | - | | 241.95 | |
| | Increase in other equity on account of business combination *** | - | | 8,834.49 | |
| | **Net cash flow from investing activities (B)** | | **(627.83)** | | **6,085.88** |

# CASH FLOW STATEMENT for the year ended March 31, 2018

*(₹ in Lakhs)*

| | Particulars | 31-Mar-18 | | 31-Mar-17 | |
|---|---|---|---|---|---|
| C | **Cash flow from financing activities** | | | | |
| | Repayment of long-term borrowings | 1,859.25 | | 1,032.43 | |
| | (Increase)/decrease in working capital borrowings | 9,179.33 | | (3,124.72) | |
| | Repayment of interest free sales tax loan | 109.36 | | 182.36 | |
| | (Increase)/decrease in unsecured loans | 34.75 | | 8,859.12 | |
| | Dividend payment | 834.10 | | 761.26 | |
| | Interest paid | 2,840.68 | | 3,696.82 | |
| | **Net cash flow used in financing activities ( C )** | | **14,857.46** | | 11,407.27 |
| | **Net increase in cash and cash equivalents (A+B-C)** | | **254.06** | | (1,076.14) |
| | Cash and cash equivaents at beginning of the period | | 303.15 | | 1,379.29 |
| | **Cash and cash equivalents at end of the period** | | **557.21** | | 303.15 |
| | | | | | |
| | **Cash and cash equivalents** | | | | |
| | Cash on hand | | 9.97 | | 17.80 |
| | Balances with banks in current account | | 547.24 | | 285.35 |
| | **Total** | | **557.21** | | 303.15 |

**Notes to the cash flow statement for the period ended 31-03-2018**

This statement is prepared as per Ind AS - 7 (indirect method).

* Details of the exceptional Items are given in Note 36.

** Including bank balances other than cash and cash equivalents

*** Refer statement of changes in equity

Previous year's figures were re-grouped wherever necessary.

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

Place : Hyderabad
Date : May 28, 2018

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2018

## a) Share capital

(₹ *in Lakhs*)

| | |
|---|---|
| Balance as on March 31, 2017 | 2,771.95 |
| Balance as on March 31, 2018 | 2,771.95 |

## b) Other equity

(₹ *in Lakhs*)

| Particulars | Capital reserve | Securities premium account | Other reserves | | General reserve | Retained earnings | TOTAL |
|---|---|---|---|---|---|---|---|
| | | | Capital redemption reserve | Investment subsidy | | | |
| **Balance at the beginning of the reporting period April 1, 2016** | **5,569.83** | **10,437.77** | **-** | **55.77** | **36,500.00** | **7,311.46** | **59,874.83** |
| | | | | | | | |
| Total comprehensive income | - | - | - | - | - | **3,220.38** | **3,220.38** |
| Dividends (including tax) | - | - | - | - | - | (761.26) | (761.26) |
| Others (in pursuance of business combination) | (5,568.81) | 12,572.90 | 2.70 | | (4,227.65) | 6,055.35 | 8,834.49 |
| | | | | | | | |
| **Balance at the beginning of the reporting period April 1, 2017** | **1.02** | **23,010.66** | **2.70** | **55.77** | **32,272.35** | **15,825.92** | **71,168.42** |
| Total comprehensive income | - | - | - | - | - | 2,955.59 | 2,955.59 |
| Dividends (including tax) | - | - | - | - | - | **(834.10)** | **(834.10)** |
| | | | | | | | |
| **Balance at the end of the reporting period March 31, 2018** | **1.02** | **23,010.66** | **2.70** | **55.77** | **32,272.35** | **17,947.42** | **73,289.92** |

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : May 28, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 1 Company overview

HBL Power Systems Limited ("HBL" or "the Company") is a public limited company incorporated and domiciled in India and has its registered office at Hyderabad, Telangana State, India. The Company has its primary listings on the BSE and National Stock Exchange in India. The financial statements were authorized for issuance by the Company's board of directors and audit committee on May 28, 2018.

The principal activities of the Company comprises of manufacturing of different types of batteries including lead acid, nickel cadmium, silver zinc and lithium, railway and defence electronics, solar photovoltaic modules and other products. The Company is also engaged in service activities related to the above products.

## Note : 2 Basis of preparation and measurement

### 2.1 Statement of compliance

The financial statements as at and for the year ended March 31, 2018 have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

### 2.2 Accounting convention and basis of measurement

The financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

i) Certain financial assets and liabilities (refer accounting policy on financial instruments);

ii) Defined benefit and other long-term employee benefits

iii) Provision for warranties

### 2.3 Functional and presentation currency

The financial statements are presented in Indian rupee, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates. All financial information presented in Indian rupee has been rounded off to the nearest lakh of rupees except share and per share data.

### 2.4 Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses and the disclosure of contingent liabilities and contingent assets. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any affected future periods.

Information about critical judgments in applying accounting policies, as well as estimates and assumptions in respect of the following areas, that have most significant effect to the carrying amounts within the next financial year are included in the relevant notes.

i) Useful lives of property, plant, equipment and intangibles.

ii) Measurement of defined benefit obligations

iii) Measurement and likelihood of occurence of provisions and contingencies.

iv) Recognition of deferred tax assets/liabilities.

v) Impairment of intangibles

vi) Expenditure relating to research and development activities.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

### 2.5 Operating cycle:

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realization in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## Note : 3 Summary of significant accounting policies

### 3.1 Property, Plant and Equipment (PPE)

i) Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

ii) The cost of property, plant and equipment includes those incurred directly for the construction or acquisition of the asset, and directly attributable to bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the management and includes the present value of expected cost for dismantling / restoration wherever applicable.

iii) The cost of major spares is recognized in the carrying amount of the item of property, plant and equipment, in accordance with the recognition criteria set out in the standard. The carrying amount of the replaced part is derecognized at the time of actual replacement. The costs of the day-to-day servicing of the item are recognized in statement of profit or loss as incurred.

iv) Depreciation on tangible assets including those on leasehold premises is provided under straight line method over the useful life of assets specified in Part C of Schedule II to the Companies Act, 2013 and in the manner specified therein, except in respect of dies and moulds and 'secured land filling' (used for disposal of lead slag) which are depreciated over their technically estimated useful lives of 5 years and 10 years respectively on straight line method. Assets costing less than ₹ 5,000/- are fully depreciated in the year of purchase.

v) Depreciation methods, useful lives and residual values are reviewed at each reporting date and accounted as change in accounting estimate.

vi) Each component / part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately only when it has a different useful life. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in statement of Profit and Loss when the item is derecognized.

vii) Expenditure attributable /relating to PPE under construction / erection is accounted as below:

A) To the extent directly identifiable to any specific plant / unit, trial run expenditure net of revenue is included in the cost of property, plant and equipment .

B) To the extent not directly identifiable to any specific plant / unit, is kept under 'expenditure during construction' for allocation to property, plant and equipment and is grouped under 'capital work-in- progress'.

### 3.2 Intangible assets

i) Intangible asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

ii) New product development expenditure, software licences, technical knowhow fee, infrastructure and logistic facilities, etc. are recognised as intangible assets upon completion of development and commencement of commercial production.

iii) Intangible assets are amortized on straight line method over their technically estimated useful lives.

iv) Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates.

### 3.3 Assets taken under lease

i) In respect of equipment taken under finance leases, the lower of fair value of the leased asset and present value of minimum lease payments, is recognised as an asset and corresponding liability is created. The finance charges are allocated to the period over the lease term and are charged off.

ii) In respect of equipment taken under operating lease, lease payments are recognised as expense over the period of lease term.

iii) Cost of acquisition of leasehold land is amortized over the leasehold period.

### 3.4 Investment in subsidiaries, associates and joint ventures

i) Investments in subsidiaries, associate and joint ventures are measured at cost. Impairment / diminution in value, other than temporary, is provided for.

ii) Investments classified as 'current investments' are carried at cost and diminution / impairment with reference to market value is recognized.

### 3.5 Government grants

Government grants are recognised in the statement of profit or loss on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses.

### 3.6 Inventories are valued as under:

| | | |
|---|---|---|
| I) | Raw materials, components, consumables, stores & spares. | At lower of weighted average cost and net realisable value. |
| ii) | Work-in-progress and finished goods. | At lower of net realisable value and weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition. |
| iii) | Long term contract work in progress (where the income is not eligible for recognition as per Income recognition policy stated elsewhere). | At direct and attributable costs incurred in relation to such contracts. |
| iv) | Stock-in-trade | At lower of cost and net realisable value |
| v) | Consumable tools | At cost less amount charged off (which is at 1/3rd of value each year). |
| vi) | Services work in progress | Lower of cost and net realisable value |

### 3.7 Assets held for sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria are met:

(i) decision has been made to sell.

(ii) the assets are available for immediate sale in its present condition.

(iii) the assets are being actively marketed and

(iv) sale has been agreed or is expected to be concluded within 12 months of the balance sheet date.

Subsequently, such non-current assets and disposal groups classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

### 3.8 Revenue recognition

i) Revenue on sale of goods is recognised when significant risks and rewards of ownership and effective control on goods have been transferred to the buyer. Sales revenue is measured at fair value net of returns, trade discounts and volume rebates. Inter divisional transfers are not recognized as revenue.

ii) Revenue on rendering of service is recognized when the outcome of the services rendered can be estimated reliably. Revenue is recognized in the period when the service is performed by reference to the contract stage of completion at the reporting date. Where services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the specified period and when a specific act is much more significant than any other acts, the recognition of revenue is postponed unitll the significant act is executed.

iii) Claims against outside agencies are accounted on certainty of realization.

iv) Interest income is reported on an accrual basis using the effective interest method. Dividends are recognized at the time the right to receive is established.

v) Export incentives under various schemes are recognized as income on certainty of realization.

vi) In case of contracts (long term) of complex equipment/systems/development order where the normal cycle time for completion is spreading over one or more accounting periods, revenue is recognised, subject to provision of anticipated losses, based on percentage completion as certified by technical committee/customers acceptance wherever applicable.

vii) Short term contracts involving supply and service where price breakup is available, Revenue in respect of supplies is recognised when goods are delivered to customers unconditionally and service income is recognised on completion of service and bills submitted as per terms of the order.

### 3.9 Employee benefits

**i) Short term benefits:**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The cost of the benefits like salaries, wages, medical, leave travel assistance, short term compensated absences, bonus, exgratia, etc. is recognised as an expense in the period in which the employee renders the related service.

**ii) Post-employment benefits:**

**A) Defined contribution plans:**

The contribution paid/payable under provident fund scheme, ESI scheme and employee pension scheme is recognised as expenditure in the period in which the employee renders the related service.

**B) Defined benefit plans:**

The Company's obligation towards gratuity is a defined benefit plan. The present value of the estimated future cash flows of the obligation under such plan is determined based on actuarial valuation using the projected unit credit method. Any difference between the interest income on plan assets and the return actually achieved and any changes in the liabilities over the year due to changes in actuarial assumptions or experienced adjustments within the plan are recognized immediately in other comprehensive income and subsequently not reclassified to the statement of Profit and Loss.

All defined benefit plan obligations are determined based on valuation as at the end of the reporting period, made by independent actuary using the projected unit credit method. The classification of the Company's net obligation into current and non-current is as per the actuarial valuation report.

**iii) Long term employee benefits:**

The obligation for long term employee benefits such as long term compensated absences, is determined and recognised in the similar manner stated in the defined benefit plan.

### 3.10 Foreign currency transactions

i) Transactions relating to non-monetary items; purchase and sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing or a rate that approximates the actual rate on the date of transaction.

ii) Assets and liabilities in the nature of monetary items denominated in foreign currencies are translated and restated at prevailing exchange rates as at the end of the reporting period.

iii) Exchange differences arising on account of settlement / conversion of foreign currency monetary items are recognized as expense or income in the period in which they arise.

iv) Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through statement of Profit and Loss

### 3.11 Current tax and deferred tax

**i) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**ii) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profits differ from the profit as reported in the statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**iii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**iv) Current and deferred tax for the year**

Current and deferred tax are recognised in the statement of Profit and Loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

### 3.12 Borrowing costs

i) Borrowing costs incurred for obtaining assets which take substantial period to get ready for their intended use are capitalized to the respective assets wherever the costs are directly attributable to such assets and in other cases by applying weighted average cost of borrowings to the expenditure on such assets.

ii) Other borrowing costs are treated as expense for the year.

iii) Significant transaction costs in respect of long-term borrowings are amortized over the tenor of respective loans using Effective Interest Rate (EIR) method.

### 3.13 Financial instruments ( financial assets and financial liabilities ):

i) All financial instruments are recognized initially at fair value. The classification of financial Instruments depends on the objective of the business model for which it is held and the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. For the purpose of subsequent measurement, financial instruments of the Company are classified into (a) non- derivative financial instruments and (b) derivative financial instruments.

**ii) Non - derivative financial instruments**

A) Security deposits, cash and cash equivalents, employee and other advances, trade receivables and eligible current and non-current financial assets are classified as financial assets under this clause.

B) Loans and borrowings, trade and other payables including deposits collected from various parties and eligible current and non-current financial liabilities are classified as financial liabilities under this clause.

C) Financial instruments are subsequently carried at amortized cost wherever applicable using effective interest rate (EIR) method less impairment loss.

D) Transaction costs that are attributable to the financial instruments recognized at amortized cost are included in the fair value of such instruments.

**iii) Derivative financial instruments**

A) Derivative financial assets and liabilities are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date

B) Changes in the fair value of any derivative asset or liability are recognized immediately in the income statement and are included in other income or expenses.

C) Cash flow hedge: Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the statement of Profit and Loss upon the occurence of the related forecasted transaction.

### 3.14 Impairment

**i) Financial assets**

A) The Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

◊ Financial assets that are debt instruments are measured at amortized cost wherever applicable for e.g., loans, debt securities, deposits and bank balance.

◊ Trade receivables

B) The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

**ii) Non - financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

### 3.15 Provisions

i) Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

ii) The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

iii) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

iv) Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

### 3.16 Earnings Per Share ( EPS )

i) Basic EPS is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year / period.

ii) Diluted EPS is computed by dividing the profit after tax, as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic EPS and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

### 3.17 Recent accounting pronouncements

i) In March 2018, the Ministry of Corporate Affairs issued the Companies ( Indian Accounting Standards ) (amendments) rules, 2018, on 28th March 2018, notifying a new Ind AS - 115, 'revenue from contracts with customers' which is based on IFRS-15, 'revenue from contracts from customers'.

ii) Ind AS 115 replaces existing revenue recognition standards Ind AS 11, construction contracts and Ind AS 18, revenue and revised guidance note of the Institute of Chartered Accountants of India (ICAI) on accounting for real estate transactions for Ind AS entities issued in 2016.

iii) The amendments are applicable to the Company from April 1, 2018. The Company is evaluating the requirements of the new Ind AS-115, other amendments and their effect on financial statements.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 4 Property, plant and equipment as on March 31, 2018

(₹ in Lakhs)

| Description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on April 1, 2017 | Additions | Adjustments/ deletions | As on March 31, 2018 | April 1, 2017 | For the Period | Adjustments/ deletions | As on March 31, 2018 | As on March 31, 2018 | As on March 31, 2017 |
| Land - freehold | 3,849.90 | 136.73 | 194.03 | **3,792.60** | - | - | - | **-** | 3,792.60 | 3,849.90 |
| Land - leasehold | 260.11 | - | - | **260.11** | 28.81 | 2.88 | - | **31.69** | 228.42 | 231.30 |
| Buildings - factory | 19,531.03 | 282.90 | 383.61 | **19,430.32** | 5,548.09 | 622.60 | 122.66 | **6,048.02** | 13,382.29 | 13,982.94 |
| Buildings - others | 744.56 | 1.25 | 269.42 | **476.39** | 111.52 | 11.11 | 38.42 | **84.21** | 392.18 | 633.04 |
| Plant and equipment | 45,843.66 | 1,415.94 | 1,221.96 | **46,037.64** | 25,722.43 | 3,050.33 | 865.34 | **27,907.42** | 18,130.22 | 20,121.23 |
| Furniture and fixtures | 850.88 | 9.90 | 64.45 | **796.34** | 626.86 | 55.08 | 61.78 | **620.16** | 176.18 | 224.02 |
| Vehicles | 1,215.68 | 91.29 | 193.20 | **1,113.77** | 814.05 | 92.63 | 165.56 | **741.12** | 372.65 | 401.63 |
| Office equipment | 2,130.56 | 208.25 | 60.68 | **2,278.13** | 1,833.87 | 99.35 | 58.19 | **1,875.04** | 403.09 | 296.68 |
| Office equipment under finance lease | 86.48 | - | - | **86.48** | 69.13 | 6.95 | - | **76.08** | 10.40 | 17.35 |
| Technical library | 1.89 | - | - | **1.89** | 1.89 | - | - | **1.89** | - | - |
| Total | 74,514.75 | 2,146.26 | 2,387.35 | **74,273.66** | 34,756.66 | 3,940.92 | 1,311.95 | **37,385.63** | 36,888.03 | 39,758.09 |
| Less: Transferred to assets held for sale | - | - | - | **-** | - | - | - | **-** | 2,088.16 | - |
| Net Total | 74,514.75 | 2,146.26 | 2,387.35 | **74,273.66** | 34,756.66 | 3,940.92 | 1,311.95 | **37,385.63** | 34,799.88 | 39,758.09 |
| Carrying value as at March 31, 2017 | 70,510.80 | 4,923.07 | 919.13 | **74,514.75** | 31,503.20 | 3,970.63 | 717.18 | **34,756.66** | 39,758.09 | |

**4.1** In respect of dies & moulds and secure land filling included in plant and equipment group, the management had, in the past, technically estimated their useful lives at 5 years and 10 years respectively and the Company had continued to charge such higher depreciation ( as compared to Schedule II ) on the same basis.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

### 4.2 Disclosure in respect of title deeds of Immovable properties:

**1 Freehold land:**

a) The gross block of freehold land comprises of actual acquisition cost of ₹ 3,699.47 lakhs and land development charges capitalized of ₹ 93.13 lakhs.

b) Out of the value of ₹ 3699.47 lakhs, the details with regard to the value of land, companies in whose name the title deeds are held and the reasons therefor are as follows :

*(₹ in Lakhs)*

| | Name of the Company | Cost of freehold land | Remarks / reasons |
|---|---|---|---|
| 1 | **HBL Power Systems Limited (A)** | **3,190.64** | Value of land , the title deeds in respect of which are in the name of the Company viz., HBL Power Systems Limited |
| | | | |
| 1 | Hyderabad Batteries Private Limited | 10.31 | Name changed to Hyderabad Batteries Limited on 11-11-1987 |
| 2 | Hyderabad Batteries Limited | 24.38 | Name changed to HBL Limited on 09-08-1995 |
| 3 | Nicad Systems Private Limited | 1.07 | Merged with HBL Limited |
| 4 | Pilazetta Batteries Limited | 2.59 | Merged with HBL Limited |
| 5 | Nagadhara Engineering Private Limited | 1.62 | Merged with HBL Limited |
| 6 | HBL Limited | 45.69 | Later merged with Sab Nife Power Systems Limited |
| 7 | Sab Nife Power Systems Limited | 77.82 | Name changed to HBL NIFE Power Systems Limited upon merger with HBL Limited |
| 8 | HBL NIFE Power Systems Limited | 345.35 | Name changed to HBL Power Systems Limited with effect from 12-10-2006 |
| | | | |
| | **Sub total (B)** | **508.83** | Value of land the title deeds in respect of which are in the names of other companies which are part and parcel of HBL Power Systems Limited by virtue of approved schmes of merger and name changes. |
| | **Grand total ( A + B )** | **3,699.47** | |

**2 Non - factory buildings:**

a) The gross block of non-factory buildings of ₹ 476.39 lakhs, comprise of actual cost of building constructed on factory lands of value of ₹ 393.38 lakhs, and cost of acquisition of buildings, (situated on other than factory lands) purchased from the third parties, is ₹ 83.01 lakhs.

b) The details with regard to the value of buildings, companies in whose name the title deeds are held and the reasons therefor are as follows :

*(₹ in Lakhs)*

| | Name of the Company | Cost of buildings | Remarks / reasons |
|---|---|---|---|
| A | **Buildings constructed on factory lands:** | | |
| 1 | HBL Power Systems Limited | 483.94 | Value of buildings constructed on factory land by the Company itself viz., HBL Power Systems Limited |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

| | Name of the Company | Cost of buildings | Remarks / reasons |
|---|---|---|---|
| 2 | HBL NIFE Power Systems Limited | 35.43 | Name changed to HBL Power Systems Limited with effect from 12-10-2006 |
| | **Sub - total ( A )** | **519.37** | |
| | | | |
| **B** | **Buildings acquired from others:** | | |
| 1 | HBL NIFE Power Systems Limited | 158.04 | Name changed to HBL Power Systems Limited with effect from 12-10-2006 |
| 2 | Sab Nife Power Systems Limited | 67.15 | Name changed to HBL NIFE Power Systems Limited upon merger with HBL Limited |
| | **Sub - total ( B )** | **225.19** | Value of buildings, the title deeds in respect of which are in the names of other companies which are part and parcel of HBL Power Systems Limited by virtue of approved schmes of merger and name changes. |
| | | | |
| | **Grand total ( A + B )** | **744.56** | |

## Note : 5 Assets held for sale

Refer note 3.7 for accounting policy on Assets held for sale

*(₹ in Lakhs)*

| Groups of assets held for sale | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Lease hold land | 215.54 | - |
| Land development | 35.97 | - |
| Buildings | 1,836.65 | - |
| **Total** | **2,088.16** | - |

## Note : 6 Capital work in progress

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Machinery under erection | 267.60 | 520.12 |
| Civil works in progress | 119.22 | 59.14 |
| Pre-operative expenses to be capitalised | - | 237.24 |
| **Total** | **386.82** | 816.49 |

## Note : 7 Intangible assets as on March 31, 2018

(₹ in Lakhs)

| Description | Gross carrying amount | | | Accumulated amortization | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|
| | As on April 1, 2017 | Additions | As on March 31, 2018 | As on April 1, 2017 | For the period | As on March 31, 2018 | As on March 31, 2018 | As on March 31, 2017 |
| New product development expenditure(internally generated) | 3,442.11 | 135.54 | **3,577.65** | 2,714.61 | **306.00** | **3,020.61** | 557.03 | 727.49 |
| Power facility | 96.16 | - | **96.16** | 81.74 | **14.42** | **96.16** | - | 14.42 |
| Technical knowhow fee | 864.73 | 155.00 | **1,019.73** | 515.72 | **180.70** | **696.42** | 323.31 | 349.01 |
| Software development | 966.89 | - | **966.89** | 174.58 | **161.15** | **335.73** | 631.16 | 792.31 |
| **Total** | **5,369.89** | **290.54** | **5,660.43** | **3,486.65** | **662.27** | **4,148.92** | **1,511.51** | **1,883.23** |
| Carrying value as at March 31, 2017 | 5,091.44 | 278.45 | **5,369.89** | 2,639.54 | **847.11** | **3,486.65** | 1,883.23 | |

## Note : 8 Intangible assets under development

(₹ in Lakhs)

| Description | As on March 31, 2018 | As on March 31, 2017 |
|---|---|---|
| 1) New product development expenditure (Internally generated) | | |
| a) Battery products | 919.02 | 1,054.56 |
| b) Electronic products | 652.20 | 652.20 |
| 2) Technical knowhow fee paid | 643.33 | 798.33 |
| 3) Power facility | - | 14.88 |
| **Total** | **2,214.55** | **2,519.97** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 9 Investments

*(₹ in Lakhs)*

| Non - current - un-quoted | | | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|---|---|
| **i) In equity instruments: (fully paid-up)** | | | | | |
| **Number** | | **Face value** | **Name of the entity** | | |
| **Current year** | **Previous year** | | | | |
| **a) Subsidiary companies** | | | | | |
| 250 | 250 | Euro 100 | HBL Germany GMBH | **14.92** | 14.92 |
| 9999500 | 9999500 | ₹ 10 | SCIL Infracon Private Limited | **1,248.37** | 1,248.37 |
| 600 | 600 | USD 1000 | HBL America Inc. | **323.02** | 323.02 |
| **b) Associate company** | | | | | |
| 41000 | 41000 | ₹ 10 | Naval Systems & Technologies Private Limited | **4.10** | 4.10 |
| **c) Joint arrangement company** | | | | | |
| 1100000 | 1100000 | SR 10 | Gulf Batteries Company Limited | **1,424.51** | 1,424.51 |
| **d) Controlled company** | | | | | |
| 180000 | 180000 | ₹ 10 | Kairos Engineering Limited | **18.00** | 18.00 |
| **ii) Investment in Limited Liability Partnership (LLP)** | | | HBL Suntech LLP | **18.30** | 18.30 |
| | | | | | |
| **Non -current - quoted** | | | | | |
| e) Other companies (listed but not quoted) | | | | | |
| 200 | 200 | ₹ 10 | Indian Lead Limited | **0.10** | 0.10 |
| | | | **TOTAL** | **3,051.32** | 3,051.32 |
| | **Less: Aggregate provision for impairment in value of investments** | | | **2,709.18** | 2,209.67 |
| | | | | | |
| | **Carrying value of non-current investments** | | | **342.13** | 841.65 |

*(₹ in Lakhs)*

| Current investments- quoted :<br>In equity instruments of other companies: (fully paid-up) | | | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|---|---|
| **i) In equity instruments: (fully paid-up)** | | | | | |
| **Number** | | **Face value** | **Name of the entity** | | |
| **Current year** | **Previous year** | | | | |
| **690** | 690 | ₹ 1 | JSW Steel Limited | **2.58** | 2.58 |
| **In liquid mutual funds: (fully paid-up)** | | | | | |
| 1 | 1 | ₹ 10 | Reliance Mutual Fund Shares Liquid BEES | **0.01** | 0.01 |
| | | | **TOTAL** | **2.59** | 2.59 |
| | **Less : Aggrgate provision for diminution in value of investments** | | | **0.59** | 1.28 |
| | | | | | |
| | **Carrying value of current investments** | | | **2.00** | 1.31 |

**9.1**

*(₹ in Lakhs)*

| | Non - current | Current | Non - current | Current |
|---|---|---|---|---|
| Aggregate amount of quoted investments | 0.10 | 2.59 | 0.10 | 2.58 |
| Aggregate market value of quoted investments | Not Available | 2.00 | Not Available | 1.30 |
| Aggregate amount of unquoted investments | 3,051.22 | - | 3,051.22 | - |
| Aggregate amount of impairment / diminution in value of investments | 2,709.18 | 0.59 | 2,209.67 | 1.28 |

**9.2** In pursuance of MOU entered by the Company, M/s.HBL Miltrade Pte Limited, Singapore, allotted one share (face value – one Singapore Dollar) to the company. The Company is yet to pay for the same. Pending remittance, investment is not disclosed in the above investments.

**9.3**

| Investee company | Principal place of business | Country of incorporation | Proportion of ownership interest and voting right |
|---|---|---|---|
| **Subsidiary companies** | | | |
| HBL Germany GMBH | Zwickau | Germany | 100% |
| SCIL Infracon Private Limited | Hyderabad | India | 100% |
| HBL America Inc. | Connecticut | U.S.A. | 100% |
| HBL Suntech LLP | Hyderabad | India | 60% |
| **Associate company** | | | |
| Naval Systems & Technologies Private Limited | **Hyderabad** | India | 41% |
| **Joint arrangement company** | | | |
| Gulf Batteries Company Limited | Dammam | Kingdom of Saudi Arabia | 40% |
| **Controlled company** | | | |
| Kairos Engineering Limited | Hyderabad | India | 46.70% |

## Note : 10 Other financial assets

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Bank deposits (maturity beyond 12 months) | | |
| Fixed deposits | 18.84 | 31.05 |
| Margin money deposits | 2,397.96 | 1,581.80 |
| Security deposits with government and others | 933.41 | 1,062.92 |
| Advances to employees | 2.97 | 1.27 |
| **TOTAL** | **3,353.18** | **2,677.03** |

## Note : 11 Other non- current assets

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| | | |
| **Capital advances** | **140.20** | **259.47** |
| TOTAL | 140.20 | 259.47 |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

## Note : 12 Inventories *

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials | 20,671.12 | 20,283.07 |
| Stores, spares. process chemicals, fuels & packing material | 756.10 | 746.40 |
| Stock -in-trade (in respect of goods acquired for trading) | 1,483.85 | 1,179.75 |
| Bonded stocks/In transit | 122.18 | 1,081.16 |
| Consumable tools | 25.01 | 1.57 |
| Work in progress | 7,963.77 | 11,961.69 |
| Finished goods | 5,389.42 | 5,182.55 |
| **TOTAL** | **36,411.46** | **40,436.19** |

**12.1** *Inventories are valued as per accounting policy in note no. 3.6

## Note : 13 Trade receivables

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Unsecured, considered good | 46,651.00 | 48,866.87 |
| Unsecured and considered doubtful | 526.00 | 966.00 |
| Allowance for credit losses | (526.00) | (966.00) |
| **TOTAL** | **46,651.00** | **48,866.87** |

**13.1** Particulars of trade receivables due from the related parties

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| HBL Germany, GMBH | 2,510.55 | 2,630.73 |
| HBL America Inc. | 1,149.19 | 1,002.60 |
| HBL Suntech, LLP | - | 430.63 |
| Gulf Batteries Company Limited (KSA) (Joint arrangement company) | 525.64 | 536.84 |
| **TOTAL** | **4,185.38** | **4,600.80** |

## Note : 14

### 14.1 Cash and cash equivalents

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balances with banks in current accounts | 440.46 | 216.95 |
| Cash on hand | 9.97 | 17.80 |
| Fixed deposits (maturity of less than three months) | 106.78 | 68.40 |
| **TOTAL** | **557.21** | **303.15** |

### 14.2 Other bank balances

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Fixed deposits | 47.85 | 73.40 |
| Margin money deposits | 1,214.88 | 1,849.41 |
| Dividend account | 34.61 | 33.82 |
| **TOTAL** | **1,297.34** | **1,956.63** |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**14.3 Financial assets - others (current)**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Security deposits with government and others | 239.55 | 190.70 |
| Advances to employees | | |
| Claims and other receivables | 266.52 | 253.13 |
| Interest accrued but not due on deposits | 484.48 | 365.36 |
| **TOTAL** | **1,030.08** | **851.63** |

**14.4 Claims and other receivables include :**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Insurance claim on account of heavy rainfall (refer note : 14.5) | 95.16 | 95.16 |
| b) Payments under protest for pending litigations | 169.38 | 142.65 |
| c) Other receivables | 1.98 | 15.32 |
| | | |
| **TOTAL** | **266.52** | **253.13** |

**14.5** During the year 2011-12, certain assets of the Company were damaged due to heavy rainfall. The Company had incurred ₹ 95.16 lakhs towards repairing the damages caused and was accounted for as claim recoverable. The cost of new assets acquired is capitalised. However, the claim is made for total cost of repairs and acquisition of assets, as the loss is covered under re-instatement Policy which was in force. The total claim was repudiated by the Insurer and the company filed a suit for recovery. The matter is still sub-judice.

## Note : 15 Current tax assets (net)

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advance payment of income tax (including TDS) | 4,696.15 | - |
| Less : Provision for income tax | 4,363.13 | - |
| **TOTAL** | **333.01** | **-** |

## Note : 16 Other current assets

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Advances other than capital advances:** | | |
| Advances to employees | 52.27 | 73.58 |
| Advances to vendors for supply of goods / services | 2,232.46 | 3,095.30 |
| **B. Others:** | | |
| Prepaid expenses | 170.43 | 143.55 |
| Deferred contract cost | - | 1,265.21 |
| Export incentives receivable | 397.33 | - |
| Depoists/balances with excise | - | 1,207.95 |
| GST/service tax input/vat receivables | 678.20 | 512.41 |
| Others | 4.49 | - |
| **TOTAL** | **3,535.18** | **6,298.00** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 17 Equity share capital

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Authorised** | | |
| 31,25,00,000 equity shares of Re.1 each | 3,125.00 | 3,125.00 |
| (Previous year 31,25,00,000 equity shares of Re.1 each) | | |
| | | |
| **Issued , subscribed and fully paid-up** | | |
| 27,71,94,946 equity shares of Re.1 each | 2,771.95 | 2,771.95 |
| (Previous year 27,71,94,946 equity shares of Re.1 each) | | |
| TOTAL | **2,771.95** | **2,771.95** |

### 17.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

*(₹ in Lakhs)*

| Equity | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No.of shares | Value ₹ | No.of shares | Value ₹ |
| At the beginning of the period | 277,194,946 | 2,771.95 | 253,000,000 | 2,530.00 |
| Additions during the period on account of business combination | - | - | 174,094,389 | 1,740.94 |
| Deductions during the period on account of business combination | - | - | 149,899,443 | 1,498.99 |
| **Outstanding at the end of the period** | **277,194,946** | **2,771.95** | **277,194,946** | **2,771.95** |

### 17.2 Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Re.1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in indian rupee. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting.

### 17.3 Details of shareholders holding more than 5% shares in the Company

*(₹ in Lakhs)*

| Name of the shareholder | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No. of shares | % holding in the class | No. of shares | % holding in the class |
| **Equity shares of Re.1 each fully paid** | | | | |
| **Promoter and promoter group** | | | | |
| Barclays Wealth Trustees (India) Pvt Ltd -Aluru Family Pvt Trust | 13,68,40,231 | 49.37 | 13,68,40,231 | 49.37 |
| **Public** | | | | |
| BanyanTree Growth Capital LLC | 2,89,83,735 | 10.46 | 2,89,83,735 | 10.46 |
| Oman India Joint Investment Fund Management Company Pvt Ltd | 2,68,42,240 | 9.68 | 2,68,42,240 | 9.68 |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

## Note : 18 Other equity - (refer statement of changes in equity )

*(₹ in Lakhs)*

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| **Capital reserve** | | 1.02 | | 1.02 |
| **Capital redemption reserve** | | | | |
| Opening balance | 2.70 | | - | |
| Addition during the year ( in pursuance of business combination) | - | 2.70 | 2.70 | 2.70 |
| **Investment subsidy from state government** | | 55.77 | | 55.77 |
| | | | | |
| **Securities premium account** | | | | |
| Opening balance | 23,010.66 | | 10,437.77 | |
| Addition during the year ( in pursuance of business combination) | - | 23,010.66 | 12,572.90 | 23,010.66 |
| | | | | |
| **General reserve** | | | | |
| Opening balance | 32,272.35 | | 36,500.00 | |
| Addition during the year ( in pursuance of business combination) | - | 32,272.35 | (4,227.65) | 32,272.35 |
| | | | | |
| **Retained earnings (balance of surplus in the statement of changes in equity )** | | 17,947.42 | | 15,825.92 |
| | | | | |
| | | **73,289.92** | | **71,168.42** |

## Note : 19 Non- current - financial liabilities

### 19.1 Borrowings

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Term loans from Bank s (secured)** | | |
| IDBI Bank ltd | 417.00 | 1,250.20 |
| HDFC Bank Ltd | - | 1,000.00 |
| HDFC Bank Ltd. - against vehicles | 3.04 | 18.09 |
| **TOTAL ( A )** | **420.04** | **2,268.29** |
| **B. Loans from others (un-secured)** | | |
| Deferred payment Laibility - interest free sales tax loan | 31.49 | 324.16 |
| **TOTAL ( B )** | **31.49** | **324.16** |
| | | |
| **TOTAL ( A + B )** | **451.53** | **2,592.45** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

### 19.2 Current - financial liabilities

*(₹ in Lakhs)*

| Borrowings (current maturities) | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Long term debt from Banks (secured)** | | |
| IDBI Bank Ltd | 833.20 | 833.20 |
| HDFC Bank Ltd | 1,000.00 | 1,000.00 |
| HDFC Bank Ltd. - against vehicles | 15.05 | 26.05 |
| **TOTAL ( A )** | **1,848.25** | **1,859.25** |
| | | |
| **B. Current maturities of finance lease obligations - from HPFSIPL** | - | **7.55** |
| | | |
| **C. Loans from others (un-secured)** | | |
| Deferred payment laibility - interest free sales tax loan | 348.18 | 164.86 |
| Loan from HPFSIPL - against equipment | - | 17.20 |
| **TOTAL ( C )** | **348.18** | **182.06** |
| **TOTAL ( A + B + C )** | **2,196.42** | **2,048.86** |

### 19.3 Current maturities of long term debt

instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed under " other current liabilities"

### 19.4 Term loans :

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

### 19.5 Term loan from IDBI and HDFC :

**a)** The capex term loan of ₹ 2,500 lakhs is sanctioned by IDBI Bank Ltd for setting up of spun concrete poles unit with a project cost of ₹ 3,350 lakhs with a capacity of 1,00,000 poles p.a. at Narsaraopet, Guntur District, Andhra Pradesh. The loan is secured by pari passu first charge on the entire property, plant and equipment of the Company both present and future. This loan is also guaranteed by CMD, spouse of CMD, whole time director and CFO in their personal capacity.

**b)** HDFC term loan II of ₹ 2,000 lakhs is towards refinancing of capital expenditure of the Company. The loan is secured by a first charge on the entire property, plant and equipment of the Company both present and future. This loan is also guaranteed by CMD, whole time director and CFO in their personal capacity.

*(₹ in Lakhs)*

| Name of the bank | Loan amount drawn | No of instalments | % of interest | Outstanding as on March 31,2018 |
|---|---|---|---|---|
| IDBI Bank Ltd | | | | |
| - Term loan | 2,500.00 | 12 (QTLY) commencing from 1-10-2016 | 11.35 | 1,250.20 |
| HDFC Bank Ltd | | | | |
| - Term Loan II | 2,000.00 | 4 (HY) commencing from 30-09-2017 | 9.85 | 1,000.00 |

**c)** HDFC Bank Ltd - vehicle loan

The term loans are secured by exclusive hypothecation of vehicles acquired through execution of demand promissory notes and are repayable by equated monthly instalments (EMIs') as per the loan schedule sanctioned by the bank.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**19.6 Unsecured loans**

**a ) Deferred payment liability - Interest Free Sales Tax Loan (IFST):**

IFST loan represents the sales tax payable by the Company given as loan by state government under a scheme and is to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown as 'unsecured loan' to be regrouped as secured loan as and when the charge is created. Pursuant to requirement under Ind AS - 109 on financial Instruments and in view of the option exercised under Ind AS - 101 on first time adoption of Ind AS, un-winding of interest using effective interest rate was made and the deferred government grant carved out, from the said loan, is being amortized in equal instalments over the remaining repayment period of the IFST loan.

**19.7** As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

## Note : 20 Provisions

**20.1 Provisions ( non - current )**

*(₹ in Lakhs)*

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for earned leave encashment | 201.75 | 213.49 |
| **TOTAL** | **201.75** | **213.49** |

**20.2 Provisions ( current )**

*(₹ in Lakhs)*

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for earned leave encashment | 9.51 | 15.89 |
| Provision for gratuity | 102.43 | 303.68 |
| **Other provisions** | | |
| Provision for warranties | 1,037.05 | 856.60 |
| Provision for excise duty on closing stocks | - | 358.04 |
| Provision for commission on profits to director | 191.27 | 156.53 |
| Contingency provision (in pursuance of business combination) | 30.00 | 30.00 |
| **TOTAL** | **1,370.26** | **1,720.74** |

## Note : 21 Deferred tax liability (net)

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Deferred tax liability (as per last balance sheet) | 1,116.90 | 1,470.07 |
| Less : On account of business combination (DTA) | - | (3.30) |
| Add: Deferred tax (asset)/liability for the year | 290.78 | (349.87) |
| **TOTAL** | **1,407.68** | **1,116.90** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 22 Other non- current liabilities

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Deferred government grant ( refer note 19.6 (a) ) | 111.83 | 167.77 |
| **TOTAL** | **111.83** | **167.77** |

## Note : 23 Borrowings

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Loans repayable on demand from banks ( secured )** | | |
| State Bank of India(SBI) | 11,791.17 | 12,691.11 |
| IDBI Bank Ltd | - | 1,867.73 |
| ICICI Bank Ltd | 7,245.32 | 6,840.46 |
| Axis Bank Ltd | 8,153.38 | 4,482.01 |
| Buyer's credit from Banks | - | 1,909.70 |
| | | |
| **TOTAL ( A )** | **27,189.87** | **27,791.01** |
| **B. Loans repayable on demand from related parties ( unsecured )** | | |
| Loans from directors | 711.00 | 721.00 |
| | | |
| **TOTAL ( B )** | **711.00** | **721.00** |
| **C. Other loans from banks (unsecured)** | | |
| Purchase bill discounting from Kotak Mahindra Bank Ltd | 2,812.34 | 4,441.46 |
| Purchase bill discounting from IDBI Bank Ltd | 2,829.63 | 6,111.54 |
| Sale bills (LC backed) discounted with SBI | 276.98 | 2,726.25 |
| Sale bills (LC backed) discounted with Yes Bank Ltd | - | 1,217.89 |
| | | |
| **TOTAL ( C )** | **5,918.95** | **14,497.14** |
| **TOTAL ( A + B + C )** | **33,819.82** | **43,009.15** |

**23.1 Working capital loans**

The demand loans from banks are secured by a first charge on all the chargeable current assets and by a second charge on the property, plant and equipment (both present and future) of the Company. All the loans are also guaranteed by CMD, spouse of CMD, whole time director and CFO in their personal capacity.

**23.2** Purchase bill discounting from Kotak Mahindra Bank Ltd. is guaranteed by CMD and whole time director of the Company in their personal capacity and purchase bill discounting from IDBI Bank Ltd. is secured by accepted bill of exchange and post dated cheque/standing instructions for making payment on due date.

**23.3** Loan from directors is repayable on demand with interest.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

## Note : 24 Trade payables

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Total outstanding dues of : | | |
| Micro Enterprises & Small Enterprises (MESE) | 949.47 | 284.50 |
| Payables other than MESE | 11,438.58 | 16,261.18 |
| **TOTAL** | **12,388.05** | **16,545.68** |

**24. Details relating to micro enterprises & small enterprises :**

(₹ in Lakhs)

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **The principal amount and the interest due thereon remaining unpaid to any supplier at the year end :** | | |
| Principal amount | 949.47 | 284.50 |
| Interest | 2.74 | 8.72 |
| **The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day** | | |
| Principal amount | 4,287.97 | 4,184.08 |
| Interest | - | - |
| The amount of interest due and payable for the period of delay in | | |
| making payment (beyond the appointed day during the year) | 17.29 | 15.71 |
| The amount of interest accrued and remaining unpaid | 20.04 | 24.43 |
| The amount of further interest remaining due and payable for the earlier years | 762.08 | 737.65 |

**Note:** The information has been given in respect of those suppliers who have intimated the Company that they are registered as micro enterprises and small enterprises. Some of the vendors who come under the MSMED Act 2006 have been associated with the Company for a long time and have a continuous business relationship. The Company is usually prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no claims were received by the Company. The Company expects that there will be no claims in future also for interest.

## Note : 25 Other financial liabilities - current

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current maturities of long-term debt(refer note - 19.2 ) | 2,196.42 | 2,041.31 |
| Current maturities of finance lease obligations (refer note - 19.2) | - | 7.55 |
| Interest accrued but not due on loans | 32.45 | 48.31 |
| Unpaid/unclaimed dividends (refer note - 25.1 ) | 34.61 | 33.82 |
| Trade deposits | 180.41 | 196.94 |
| Creditors for capital expenditure | 68.30 | 167.80 |
| Statutory dues | 2,298.29 | 657.21 |
| Directors' current account | 266.56 | 220.02 |
| Accrued compensations to employees | 1,508.03 | 1,566.43 |
| **TOTAL** | **6,585.07** | **4,939.39** |

**25.1** Does not include any amount outstanding which is required to be credited to Investor Education and Protection Fund (IEPF).

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 26 Other current liabilities

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advances against sales | 1,161.55 | 1,927.29 |
| Accrued expenses | 1,094.30 | 1,032.22 |
| **TOTAL** | **2,255.85** | **2,959.51** |

## Note : 27 Current tax liabilities (net)

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for income tax | - | 3,197.36 |
| Advance payment of income tax (including TDS) | - | 2,933.10 |
| **TOTAL** | **-** | **264.26** |

## Note : 28 Revenue from operations

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| (a) Sale of products ( including excise duty ) | 1,56,979.10 | 1,49,231.98 |
| (b) Sale of traded goods | 784.60 | 552.12 |
| (c) Sale of services | 3,796.75 | 3,158.98 |
| (d) Other operating revenue - sale of scrap | 850.81 | 43.15 |
| **TOTAL** | **1,62,411.26** | **1,52,986.23** |

## Note : 29 Other income

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Interest income** | | |
| Interest received on deposits with banks/others | 355.48 | 337.59 |
| Interest on IT refunds | 43.95 | 125.27 |
| | | |
| **Other non-operating income (net of directly attributable expenses )** | | |
| Exchange gains | 843.38 | 590.21 |
| Deferred income-govt. grant | 55.92 | 55.92 |
| Export incentives received | 740.10 | 86.74 |
| Miscellaneous income | 233.16 | 524.79 |
| **TOTAL** | **2,271.99** | **1,720.51** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 30 Cost of material consumed

(₹ *in Lakhs)*

| | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| Opening stocks | | 20,283.07 | 20,890.13 |
| Purchases - Material,Components and Consumables | | 1,01,918.34 | 88,416.95 |
| | | **1,22,201.40** | **1,09,307.08** |
| Less : closing stocks | | 20,671.12 | 20,283.07 |
| | | **1,01,530.28** | **89,024.01** |
| Less : Internal capitalisation | | 43.18 | 76.83 |
| **Cost of material consumed** | **TOTAL** | **1,01,487.10** | **88,947.18** |

## Note : 31 (Increase) / decrease in inventories of finished goods, stock-in-trade and work-in-progress

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **a. Manufactured goods** | | |
| i) Opening stocks | | |
| a) Semi finished goods | 11,961.69 | 10,746.34 |
| b) Finished goods | 5,182.55 | 5,261.50 |
| **TOTAL ( A )** | **17,144.25** | **16,007.84** |
| ii) Closing stocks | | |
| a) Semi finished goods | 7,963.77 | 11,961.69 |
| b) Finished goods | 5,389.42 | 5,182.55 |
| **TOTAL (B)** | **13,353.19** | **17,144.25** |
| | | |
| **( Increase ) / decrease ( C = A - B )** | **3,791.06** | **(1,136.41)** |
| **b. Traded goods** | | |
| Opening stock of traded goods | 1,179.75 | 616.96 |
| Addition during the year ( in pursuance of business combination) | - | 503.72 |
| | **1,179.75** | **1,120.68** |
| Closing stock of traded goods | 1,483.85 | 1,179.75 |
| | | |
| **(Increase) / decrease ( D )** | **(304.10)** | **(59.07)** |
| | | |
| **(Increase) / decrease in inventory ( C + D )** | **3,486.95** | **(1,195.48)** |

## Note : 32 Employee benefits expense:

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Salaries and bonus | 7,364.87 | 7,726.77 |
| Contribution to provident and other funds | 632.98 | 636.61 |
| Gratuity | 96.93 | 60.35 |
| Staff welfare | 954.32 | 890.53 |
| Recruitment and training | 28.32 | 13.93 |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 32 Employee benefits expense: (Contd...)

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Remuneration to directors:** | | |
| Salaries and allowances | 146.40 | 146.40 |
| Contribution to provident fund | 11.52 | 11.52 |
| Commission on profits | 191.27 | 156.53 |
| Directors' sitting fees | 3.70 | 2.30 |
| | | |
| **TOTAL** | **9,430.32** | **9,644.95** |

## Note : 33 Finance cost

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Finance cost** | | |
| Interest on term loans | 357.31 | 527.95 |
| Interest on bank borrowings | 2,479.91 | 3,161.68 |
| Interest on vehicle loans | 3.46 | 7.18 |
| Interest on other loans | 0.66 | 6.86 |
| Interest on unsecured loans | 75.43 | 79.31 |
| Interest - others | 261.51 | 212.98 |
| Bank charges and commission | 876.28 | 734.40 |
| | **4,054.57** | **4,730.36** |
| Less: Transfers to pre-operative expenses | - | 108.68 |
| **TOTAL** | **4,054.57** | **4,621.68** |

## Note : 34 Depreciation and amortization expense

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Depreciation of tangible assets | 3,940.92 | 3,970.63 |
| Amortisation of intangible assets | 662.27 | 847.11 |
| **TOTAL** | **4,603.19** | **4,817.75** |

## Note : 35 Other expenses

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Manufacturing expenses** | | |
| Stores and spares consumed | 2,104.86 | 1,943.24 |
| Equipment lease rentals | 25.53 | 28.54 |
| Factory rent | 38.18 | 32.90 |
| Consumable tools charged off | 13.76 | 10.19 |
| Contract wages | 8,765.81 | 8,361.01 |
| Power and fuel | 6,180.85 | 5,279.41 |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

## Note : 35 Other expenses (Contd...)

*(₹ in Lakhs)*

| Other expenses | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **B. Administrative expenses** | | |
| Rent | 294.42 | 276.63 |
| Rates, duties and taxes | 359.67 | 532.16 |
| Insurance | 297.41 | 305.50 |
| Professional and consultancy charges | 580.86 | 1,243.59 |
| Expenditure incurred on corporate social responsibility activities | 94.04 | 57.69 |
| Repairs and maintenance | 1,008.83 | 1,147.10 |
| Travelling and conveyance | 1,332.17 | 1,419.15 |
| Sundry expenses | 1,286.58 | 1,577.44 |
| Payments to auditors ( refer note 35.1 ) | 30.00 | 30.00 |
| Audit expenses | 3.26 | 2.34 |
| Advances and deposits written off | 127.04 | 197.97 |
| | | |
| **C. Selling and Service expenses** | | |
| Freight and insurance on sales | 4,894.13 | 4,294.04 |
| Liquidated damages | 290.98 | 248.20 |
| Commission on sales | 187.85 | 127.39 |
| Provision for / write off of trade receivables | 1,094.45 | 1,144.15 |
| Provision for warranties | 180.45 | 45.28 |
| Testing charges | 233.07 | 194.76 |
| Installation charges | 1,086.21 | 645.51 |
| Televan hire charges | 60.33 | 109.68 |
| Other selling expenses | 520.08 | 478.34 |
| | | |
| **TOTAL** | **31,090.81** | **29,732.22** |

### 35.1 Details of payments to auditor towards :

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Audit fee | 30.00 | 30.00 |
| Service tax/GST | 5.40 | 4.50 |
| **TOTAL** | **35.40** | **34.50** |

## Note : 36 Exceptional items of (income)/expenditure

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Profit on sale of investments | - | (439.10) |
| Impairment / diminution In value of investments | 499.51 | 623.37 |
| Loss on sale of assets | 699.45 | 131.48 |
| Profit on sale and exchange of land | (223.19) | (36.71) |
| **TOTAL** | **975.77** | **279.03** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 37 Disclosure as per Ind AS - 33 Earnings Per Share ( EPS ) - face value of share : Re. 1/- each

*(₹ in Lakhs)*

| Computation of EPS (basic & diluted) | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Profit after tax | 2,955.59 | 3,220.38 |
| No. of shares (basic) | 27,71,94,946 | 27,71,94,946 |
| No. of shares (diluted) | 27,71,94,946 | 27,71,94,946 |
| EPS(basic) ₹ | 1.07 | 1.16 |
| EPS(diluted) ₹ | 1.07 | 1.16 |

## Note : 38 Disclosure as per schedule III of the Act and Ind AS-37 on Provisions, Contingent Liabilities and Contingent Assets :

### 38.1 Movement of provisions during the year 2017-18

*(₹ in Lakhs)*

| | Particulars | Provision for warranties | Provision for excise and customs duty on closing stocks | Contingency provision |
|---|---|---|---|---|
| a) | the carrying amount at the beginning of the period | 856.60 | 358.04 | 30.00 |
| b) | additional provisions made in the period, including increases to existing provisions | 868.41 | - | |
| c) | amounts used (i.e. incurred and charged against the provision) during the period | - | (358.04) | - |
| d) | unused amounts reversed during the period | (688.52) | - | - |
| e) | the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. | 0.56 | - | - |
| | | | | |
| **f)** | **the carrying amount at the end of the period ;** | **1,037.05** | **-** | **30.00** |

Unused amounts of provision for warranties represent provision reversed from the opening balance (after warranty period). It is expected that provision for warranties will be incurred in the next 12 to 24 months. Actual expenditure incurred during warranty period towards replacements etc. are charged off under respective heads of expenditure.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**38.2 Contingent liabilities not provided for and commitments:**

All known and undisputed claims and liabilities where there is a present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for. The contingent liabilities and commitments are as under:

*(₹ in Lakhs)*

| Nature of contingent liability | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **i) Contingent liabilities not provided for:** | | |
| **a) Claims against the Company not acknowledged as debts towards :** | | |
| Excise duty | 658.20 | 658.84 |
| Sales tax | 479.03 | 258.33 |
| Custom duty | 491.70 | 491.70 |
| Income tax | - | 65.08 |
| Property tax | 134.25 | 134.25 |
| Fuel surcharge adjustment (FSA) | 131.67 | 148.16 |
| Enhancement of land cost | 168.44 | 168.44 |
| Erstwhile promoters of SCIL Infracon Pvt Ltd | 188.31 | 188.31 |
| Others | 9.50 | 9.50 |
| | | |
| **b) Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees** | 15,030.60 | 14,036.71 |
| | | |
| **ii) Commitments:** | | |
| a) Estimated amount of contracts remaining to be executed on capital account and not provided for | 256.51 | 637.73 |
| b) Other commitments: | | |
| Legal undertakings (LUTs) given to customs authorities for clearing the imports at nil / concessinal rate of duty | 60.63 | 124.84 |

The Company has other commitments, for purchase / sale orders which are issued after considering requirements per operating cycle for purchase / sale of goods and services, employee benefits in the normal course of business. The Company does not have any long term commitments or material non-cancellable contractual commitments / contracts, which might have material impact on the financial statements.

**38.3 Commitment towards dividend and dividend distribution tax**

The board in its meeting held on May 28, 2018 has recommended a dividend of Re. 0.25 per equity share of Re. 1/- each for the financial year ended March 31, 2018. The proposal is subject to the approval of share holders at the annual general meeting to be held, and if approved would result in a cash outflow of ₹ 692.99 lakhs towards dividend and ₹ 142.45 lakhs towards corporate dividend distribution tax.

**38.4 Contingent assets:**

During the year 2011, some assets at one of the plants of the Company, were damaged due to heavy rains. The Company's claim for the loss was repudiated by the insurers. A case was filed for recovery of the claim of ₹.234.60 lakhs towards loss sufferred apart from interest thereon. The matter is sub judice.

During the year 2014, there was a heavy damage to the assets and inventory at two plants of the Company, due to hud-hud cyclone. The Company's claim for the resultant losses was partly allowed by the Insurers and the balance claims were repudiated. The matter relating to the claim of ₹ 400 lakhs towards damages to assets and inventory and ₹ 921.75 lakhs towards loss of profits, apart from interest thereon, was referred to arbitration. The matter is sub judice.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

## Note : 39 Income tax and sales tax assessments:

**39.1 Income tax:**

The Company's income tax assessments were completed upto financial year 2014-15 and the tax dues, as per orders, were paid and charged off to revenue, except for disputed issues under appeal. Tax assessments for the financial years 2015-16 and 2016-17 are pending and the tax dues, as per returns filed, have been fully paid. In respect of such pending assessments, the liability, if any, that may arise upon completion of assessments is not ascertainable at this stage.

**39.2 Sales tax:**

The Company has paid/provided for VAT/CST as per the records and returns filed upto June 30, 2017 after considering the input VAT on purchases and also on the basis of concessional forms expected to be received from customers. The related assessments for various years are pending at various stages in different states. The liability, if any, in respect of such pending assessments is not ascertainable at this stage.

## Note : 40 Confirmation of balances

The Company had sent letters seeking confirmation of balances to various parties under trade payables, trade receivables, advance to suppliers and others and advance from customers. Based on the confirmations received and upon proper review, corrective actions have been initiated and the amounts have been trued up, accounting adjustments have been made wherever found necessary. Such confirmations are awaited from some parties, comprising of government departments and public sector undertakings, mainly.

## Note : 41

In the opinion of the board, assets other than fixed assets and non-current investments have a value, on realisation in the ordinary course of business, which is at least equal to the amount at which they are stated in the financial statements.

## Note : 42 Disclosures as prescribed by Indian Accounting Standard ( Ind AS )

**42.1 Disclosure as per Ind AS - 2 - Inventories**

During the year ended March 31, 2018, ₹ 151.37 lakhs (March 31, 2017, ₹ 22.64 lakhs) was recognised as an expense in respect of inventories carried at net realisable value in the statement of profit and loss.

**42.2 Disclosure as per Ind AS - 7**

Statement of reconciliation for changes in liabilities arraising from financing activities.

*(₹ in Lakhs)*

| | Long-term borrowings | Working cpaital borrowings | Interest free sales tax loan | Unsecured loans |
|---|---|---|---|---|
| Opening balance | 4,127.54 | 42,288.14 | 489.02 | 745.75 |
| Borrowed during the year | - | - | - | - |
| Repaid during the year | (1,859.25) | - | (109.36) | (34.75) |
| Net movement | (1,859.25) | (9,179.33) | (109.36) | (34.75) |
| Closing balance | 2,268.29 | 33,108.82 | 379.66 | 711.00 |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

### 42.3 Disclosure as per Ind AS -11 - Construction Contracts

**A)** The Company recognised revenue based on percentage completion method whereby stage of completion of a contract is determined with reference to the proportion that contract costs incurred (for work performed up to the reporting date) bear to the estimated total contract cost and wherever applicable after completion of inspection/certification of the work performed by the customers as stipulated in the contract.

**B) In respect of contracts in progress on March 31, 2018.**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Contract revenue recognised in the period | 817.14 | 232.69 |
| b) Aggregate contract costs incurred upto the reporting date. | 3,669.62 | 3,056.69 |
| c) Aggregate amount of recognised profits upto the reporting date. | 298.41 | 3012.07 |
| d) Amount of advances received from customer outstanding as on date | 166.67 | 166.67 |
| e) Retention amount (amount billed less amount received / advance adjusted) | 504.06 | 385.09 |

### 42.4 Disclosure as per Ind AS -12 - Income Tax

**a) A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income tax is summarized as follows:**

*(₹ in Lakhs)*

| Particulars | | Year ended March 31, 2018 | | Year ended March 31, 2018 |
|---|---|---|---|---|
| Profit before tax but after other comprehensive income excluding profit on sale of land | | 4,976.12 | | 4,716.86 |
| Profit on Sale of Land | | 232.21 | | 36.71 |
| Profit before tax but after other comprehensive income | | 5,208.33 | | 4,753.58 |
| **Enacted tax rates ( % )** | | | | |
| On business income | 34.61 | | 34.61 | |
| On capital gains | 23.07 | | 23.07 | |
| Computed expected tax expense | | 1,775.71 | | 1,640.88 |
| Tax effect due to non-taxable income | | (43.94) | | (472.12) |
| Tax reversals | | (306.43) | | (71.08) |
| Tax effect due to non-deductible expenses | | 815.80 | | 814.97 |
| Tax effect on others | | 0.87 | | 37.34 |
| | | | | |
| **Income tax expense** | | **2,242.00** | | **1,950.00** |
| Effective tax rate % | | 43.05 | | 41.02 |

**b) Details of income tax assets and Income tax liabilities are as follows:**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advance tax / MAT credit / TDS | 4,696.15 | 2,933.10 |
| Provision for income tax | 4,363.13 | 3,197.36 |
| | | |
| **Asset / (liability)** | **333.01** | **(264.26)** |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**c) The gross movement in the current income tax asset / (liability ) is as follows:**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Net current income tax asset / (liability) at the beginning | (264.26) | 800.97 |
| | | |
| Add : income tax paid / adjusted (net of refund received) | 2,839.27 | 884.77 |
| Less : provision for current tax | 2,242.00 | 1,862.32 |
| | | |
| Net current income tax asset / (liability) at the end | 333.01 | (264.26) |

**d) The tax effects of significant temporary differences that resulted in deferred income tax asset and liability are as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Deferred tax liability** | | |
| Property, plant and equipment | 1,662.82 | 1,830.59 |
| | | |
| **Total** | **1,662.82** | **1,830.59** |
| **Deferred tax asset** | | |
| Warranties | - | 295.64 |
| Leave encashment | 73.11 | 79.38 |
| Provision for doubtful debts | 182.04 | 334.31 |
| Others | - | 4.37 |
| **Total** | **255.15** | **713.70** |
| | | |
| **Deferred tax liability after set off of deferred tax asset** | **1,407.67** | **1,116.89** |

**e) The gross movement in the deferred income tax account is as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Net deferred tax liability at the beginning | 1,116.89 | 1,470.07 |
| | | |
| Credit / (charge) relating to temporary differences | 290.78 | (353.18) |
| | | |
| Net deferred income tax liability at the end | 1,407.67 | 1,116.89 |

**42.5 Disclosure as per Ind AS-17 - Leases**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **a. Finance leases (un-discounted)** | | |
| Amount of finance lease | 7.55 | 28.37 |
| Less : lease amount repaid during the period | 7.55 | 20.82 |
| Amount outstanding at the end of the period | **-** | **7.55** |
| | | |
| Amount payable not later than one year | - | 7.55 |
| Amount payable later than one year and not later than five years | - | - |

**b) Operating lease**

The Company had taken office, residential facilities and equipment under cancellable operating leases. The rental expenses under such cancellable operating lease for the year ended March 31, 2018 was ₹ 294.42 lakhs ( previous year ₹ 276.63 lakhs)

**42.6 Disclosure as per Ind AS-19 -Employee Benefits**

**a) Defined contribution plan:**

Contribution to defined contribution plan, recognised as expense for the year are as under:

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Employer's contribution to PF/ESI/ pension plan | 644.50 | 648.13 |

**b) Defined benefit plan:**

**(i) Gratuity obligation of the Company :**

To cover the employer's obligation towards gratuity, under the Payment of Gratuity Act, the Company has taken a group gratuity policy of LIC of India. As per the valuation made under Projected Unit Credit method and demanded by LIC of India, the fund required to be maintained, to cover the present value of past service benefit and current service cost, is fully funded/provided for by the Company. Apart from the said funding, to keep the policy alive, the Company also paid the annual risk premium and recognised it as expense for the year.

**Assets and liability (balance sheet position)**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation | 1,422.07 | 1,424.30 |
| Fair value of plan assets | 1,319.64 | 1,120.62 |
| Surplus / (deficit) | (102.43) | (303.68) |
| Effects of asset ceiling, if any | - | - |
| Net asset/(liability) | (102.43) | (303.68) |

**Expense recognized during the period**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| In income statement (P&L a/c--expense provision) | 87.00 | 50.32 |
| In other comprehensive income (b/sheet item) | 15.43 | 253.36 |

**Characteristics of defined benefit plan and risks associated with it**

**Actuarial Valuation Method**

The valuation has been carried out using the Projected Unit Credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**The benefits valued**

**The benefit valued in this report are summarised below:**

| | |
|---|---|
| Type of plan | Defined benefit |
| Employer's contribution | 100% |
| Employees' contribution | Nil |
| Salary for calculation of gratuity | Last drawn salary |
| Normal retirement age | 58 |
| Vesting period | 5 Years |
| Benefit on normal retirement | Same as per the provisions of the Payment of Gratuity Act, 1972 (as amended from time to time). |
| Benefit on early retirement / termination / resignation /withdrawal | Same as normal retirement benefit based on the service upto the date of exit. |
| Benefit on death in service | Same as normal retirement benefit and no vesting period condition applies. |
| Limit | ₹ 20,00,000 |
| Gratuity formula | (15/26) x last drawn salary x number of completed years |

**Description of regulatory framework in which plan operates**

The payment of gratuity is required by the Payment of Gratuity Act, 1972.

**Description of risk exposures**

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

**Interest rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rate will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

**Liquidity risk:** This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of liquid assets not being sold in time.

**Salary escalation risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Demographic risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. increase in the maximum limit on gratuity of ₹ 20,00,000).

**Asset liability mismatching or market risk:** The duration of the liabilty is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment risk:** The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**Effect of any amendments, curtailments and settlements - not applicable in this case.**

**Explanation of amounts in financial statements**

**Changes in the present value of obligation**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Present value of obligation as at the beginning** | **1,424.30** | 1,240.87 |
| Current service cost | 49.64 | 24.82 |
| Interest expense or cost | 99.70 | 99.27 |
| Actuarial (gains) / loss on obligations | 27.59 | 258.59 |
| Past service cost | - | - |
| Effect of change in foreign exchange rates | - | - |
| Benefits paid | (179.16) | (199.25) |
| Acquisition adjustment | - | - |
| Effect of business combinations or disposals | - | - |
| **Present value of obligation as at the end** | **1,422.07** | 1,424.30 |
| **Bifurcation of net liability** | | |
| Current liability (short term) | 17.09 | 54.44 |
| Non-current liability (long term) | 1,404.98 | 1,369.86 |
| **Net liability** | **1,422.07** | 1,424.30 |

**Changes in the fair value of plan assets**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Fair value of plan assets as at the beginning | 1,120.62 | 977.58 |
| Acquisition adjustment | (16.09) | (5.65) |
| Expected return on plan assets | 78.44 | 78.21 |
| Contributions | 303.68 | 264.50 |
| Benefits paid | (179.16) | (199.25) |
| Actuarial gain/(loss) on plan assets | 12.15 | 5.23 |
| Fair value of plan assets as at the end | 1,319.64 | 1,120.62 |

**Change in the effect of asset ceiling**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Effect of asset ceiling at the end | nil | nil |
| Interest expense or cost (to the extent not recognised in net interest expense) | | |
| Re-measurement (or actuarial) (gain)/loss arising because of change in effect of asset ceiling | | |
| Effect of asset ceiling at the end | nil | nil |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**Expenses recognised in the income statement**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current service cost | 49.63 | 24.82 |
| Past service cost | 0.00 | 0.00 |
| Expected return on plan assets | (78.44) | (78.21) |
| Interest cost | 99.70 | 103.71 |
| Expenses recognised in the income statement | 70.89 | 50.32 |

**Other comprehensive income**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Actuarial (gains) / losses - change in demographic assumptions | - | 133.67 |
| Actuarial (gains) / losses - change in financial assumptions | (181.24) | 124.92 |
| Actuarial (gains) / losses - experience variance | 208.83 | - |
| Actuarial (gains) / loss on obligations | 27.59 | 258.59 |
| Actuarial (gains) / loss on Plan Assets | 12.16 | 5.23 |
| Total Other Comprehensive Income(OCI) | 15.43 | 253.36 |

***Financial assumptions***

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Discount rate (per annum) | 7.88% | 7.00% |
| Salary growth rate (per annum) | 4.00% | 4.00% |

***Demographic assumptions***

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Indian assured lives mortality (2006-08) ult | *100%* | *100%* |
| Attrition rate: | | |
| Age at valuation date / valuation date | **March 31, 2018** | March 31, 2017 |
| 18-30 | 15% | 15% |
| 31-40 | 5% | 5% |
| 41 &+ | 1% | 1% |

**Disability: no explicit allowance**

The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation will lead to an increase in reported cost.

### Table of sample mortality rates from Indian assured lives mortality 2006-08

| Age | Male | Female |
|---|---|---|
| 20 years | 0.089% | 0.089% |
| 25 years | 0.098% | 0.098% |
| 30 years | 0.106% | 0.106% |
| 35 years | 0.128% | 0.128% |
| 40 years | 0.180% | 0.180% |
| 45 years | 0.287% | 0.287% |
| 50 years | 0.495% | 0.495% |
| 55 years | 0.789% | 0.789% |
| 60 years | 1.153% | 1.153% |
| 65 years | 1.700% | 1.700% |
| 70 years | 2.585% | 2.585% |

### Membership status

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Number of employees | 1,992 | 2,118 |
| Total monthly salary (₹ in lakhs) | 394.81 | 385.12 |
| Average past service (years) | 8 | 8 |
| Average age (years) | 38 | 37 |
| Average remaining working life (years) | 20 | 21 |
| Number of completed years valued | | |
| Decrement adjusted remaining working life (years) | 15.88 | 16.07 |

### Amount, timing and uncertainity of future cash flows
### Sensitivity analysis

Significant actuarial assumptions for the detemination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Defined benefit obligation (base) | 1,422.07 | 1,424.30 |
| **Discount rate:(% change compared to base due to sensitivity)** | | |
| Increase: +1% | 1,304.01 | 1,299.38 |
| Decrease: -1% | 1,558.03 | 1,569.15 |
| **Salary growth rate:(% change compared to base due to sensitivity)** | | |
| Increase: +1% | 1,557.78 | 1,580.92 |
| Decrease: -1% | 1,302.79 | 1,283.66 |
| **Attrition rate:(% change compared to base due to sensitivity)** | | |
| Increase: +50% | 1,471.19 | 1,498.52 |
| Decrease: -50% | 1,363.66 | 1,337.09 |
| **Mortailtiy rate:(% change compared to base due to sensitivity)** | | |
| Increase: +10% | 1,423.82 | 1,425.51 |
| Decrease: -10% | 1,420.31 | 1,423.09 |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There is no change in the method of valuation for the prior period.

**Asset liability matching strategies**

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

**Effect of plan on entity's future cash flows**

**Funding arrangements and funding policy**

The Company has purchased an insurance policy to provide for payment of gratuity to the employees. Every year, the insurance Company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

**Expected contribution during the next annual reporting period**

The Company's best estimate of contribution during the next year remains similar to current year.

**Maturity profile of defined benefit obligation**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Weighted average duration (based on discounted cashflows) in years | 15.88 | 16.79 |
| **Expected cash flows over the next (valued on undiscounted basis):** | | |
| 1 year | 97.46 | 54.44 |
| 2 to 5 years | 18.72 | 131.24 |
| 6 to 10 years | 575.99 | 495.36 |
| More than 10 years | 2,789.85 | 2,753.71 |

**(ii) Long term compensated absences - leave encashment:**

The present value of obligation for long term compensated absences is determined on actuarial valuation using Projected Unit Credit method (PUC) and is charged to Profit and Loss account. The obligation is not funded.

**Assets and liability (balance sheet position)**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation | 211.26 | 229.38 |
| Fair value of plan assets | - | - |
| Surplus / (deficit) | (211.26) | (229.38) |
| Effects of asset ceiling, if any | - | - |
| Net asset/(liability) | (211.26) | (229.38) |

**Expense recognized during the period**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| In Income statement (P&L--expense provision) | 17.58 | 58.58 |

**Characteristics of defined benefit plan and risks associated with it**

**Actuarial valuation method**

The valuation has been carried out using the projected unit credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

**The benefits valued**

**The benefit valued in this report are summarised below:**

| Type of Plan | Long term benefit |
|---|---|
| Employer's contribution | 100% |
| Employees'contribution | NIL |
| Salary for calculation of leave encashment benefit | Last drawn salary |
| Normal retirement age | 58 |
| Vesting period | Not applicable |
| Benefit on normal retirement | Leave Salary[Gross Salary) subject to a maximum of 30 days' salary |
| Benefit on early retirement / termination / resignation / withdrawal | As above |
| Benefit on death in service | As above |
| Limit | Yes |
| Benefit formula | No. of days' leave encashable x last drawn salary |

**Description of regulatory framework in which plan operates**

The payment of leave encashment benefit is required as per Company's scheme.

**Description of risk exposures**

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

**Interest rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rate will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

**Liquidity risk:** This is the risk that the Company is not able to meet the short-term benefit payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

**Salary escalation risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**Demographic risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory/contractual risk:** Benefit is paid in accordance with the requirements of the enterprise's scheme (as amended from time to time). There is a risk of change in regulations /rules requiring higher benefit payouts (e.g. increase in the maximum limit on benefit amount).

**Asset liability mismatching or market risk:** The duration of the liabilty is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment risk:** The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

**Changes in the present value of obligation**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation as at the beginning | 220.20 | 203.84 |
| Current service cost | 22.02 | 6.12 |
| Interest expense or cost | 15.41 | 16.31 |
| Actuarial (gain)/ loss on obligations | (19.85) | 36.16 |
| Past service cost | 0.00 | 0.00 |
| Effect of change in foreign exchange rates | 0.00 | 0.00 |
| Benefits paid | (36.03) | (42.22) |
| Acquisition adjustment | 0.00 | 0.00 |
| Effect of business combinations or disposals | 0.00 | 0.00 |
| Present value of obligation as at the end | 201.74 | 220.20 |

**Bifurcation of net liability**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current liability (short term) | - | 6.71 |
| Non-current liability (long term) | 201.74 | 213.48 |
| Net liability | 201.74 | 220.20 |

**Changes in the fair value of plan assets**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Fair value of plan assets at the start: | - | - |
| b) Acquisition adjustments | | |
| c) Expected return on plan assets | | |
| d) Contributions | | |
| e) Benefits paid | (36.03) | (42.22) |
| f) Actuarial gain /( loss) on plan assets | - | - |
| g) Fair value of plan assets as at the end | - | - |

**Change in the effect of asset ceiling**

(₹ *in Lakhs*)

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Effect of asset ceiling at the beginning | nil | nil |
| Interest expense or cost (to the extent not recognised in net interest expense) | | |
| Re-measurement (or actuarial) (gain)/loss arising because of change in effect of asset ceiling | | |
| Effect of asset ceiling at the end | nil | nil |

**Expenses recognised in the income statement**

(₹ *in Lakhs*)

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current service cost | 22.02 | 6.12 |
| Past service cost | - | - |
| Expected return on plan assets | - | - |
| Interest cost | 15.41 | 16.31 |
| Net actl. (gain)/ loss recognized in the period: | (19.85) | 36.16 |
| Expenses recognised in the income statement | 17.57 | 58.58 |

Actuarial assumptions The valuation has been carried out using the Projected Unit Credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

**Financial assumptions**

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Discount rate (per annum) | 7.88% | 7.00% |
| Salary growth rate (per annum) | 4% | 4.00% |
| Demographic assumptions | | |
| Indian assured lives mortality (2006-08) ult | 100% | 100% |
| **Attrition rate:** | | |
| Age at valuation date / valuation date | | |
| 18-30 | 15.0% | 15.0% |
| 31-40 | 5.0% | 5.0% |
| 41 &+ | 1.0% | 1.0% |
| Disability: no explicit allowance | | |

The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation will lead to an increase in reported cost.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**Table of sample mortality rates from Indian assured lives mortality 2006-08**

| Age | Male | Female |
|---|---|---|
| 20 years | 0.089% | 0.089% |
| 25 years | 0.098% | 0.098% |
| 30 years | 0.106% | 0.106% |
| 35 years | 0.128% | 0.128% |
| 40 years | 0.180% | 0.180% |
| 45 years | 0.287% | 0.287% |
| 50 years | 0.495% | 0.495% |
| 55 years | 0.789% | 0.789% |
| 60 years | 1.153% | 1.153% |
| 65 years | 1.700% | 1.700% |
| 70 years | 2.585% | 2.585% |

**Membership status**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Number of employees | 1,992 | 2,118 |
| Total monthly salary (₹ in lakhs) | 394.81 | 385.12 |
| Average past service (years) | 8 | 8 |
| Average age (years) | 38 | 37 |
| Average remaining working life (years) | 20 | 21 |
| Number of completed years valued | 0 | 0 |
| Decrement adjusted remaining working life (years) | 15.88 | 16.07 |

### 42.7 Disclosure as per Ind AS -21 - The Effects of Changes in Foreign Exchange Rates

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Exchange differences arising out of settlement / translation on account of : | | |
| a) Exports | 573.82 | (231.45) |
| b) Imports | 269.70 | 796.68 |
| c) Others | (0.14) | 24.98 |
| Net gain (loss) recognised during the year | **843.38** | **590.21** |

### 42.8 Disclosure as per Ind AS– 24 - Related Party Disclosures

| | | |
|---|---|---|
| 1 | Subsidiaries | SCIL Infracon Pvt Ltd |
| | | HBL Germany, GMBH |
| | | HBL America |
| | | HBL Suntech LLP |
| | | |
| 2 | Joint arrangement | Gulf Batteries Company Ltd, Kingdom of Saudi Arabia |
| | | |
| 3 | Controlled companies | Kairos Engineering Limited, Hyderabad |

| | | | |
|---|---|---|---|
| 4 | Associate | Naval Systems & Technologies Pvt Ltd | |
| | | Guided Missile Engineering India Pvt Ltd | |
| | | | |
| 5 | Key management personnel | Dr A J Prasad | Chairman & managing director |
| | | M S S Srinath | Whole time director |
| | | Kavita Prasad | Chief financial officer |
| | | M V S S Kumar | Company secretary |
| | | | |
| | | **Non-executive directors** | |
| | | P. Ganapathi Rao | Independent director |
| | | Preeti Khandelwal | Independent director |
| | | K Venkat Sriram | Independent director |
| | | Richa Datta | Independent director |
| | | Ajay Bhaskar Limaye | Non- executive director |
| | | Mitin Jain | Non- executive director |

**Disclosure of transactions with related parties and the status of outstanding balances.**

*(₹ in Lakhs)*

| Sl.No | Name | Nature of transaction | Transactions during the year | March 31, 2018 | |
|---|---|---|---|---|---|
| | | | | Gross trade receivables ( un-secured ) | Gross trade payables |
| 1 | Subsidiaries | Sale of goods | 4,978.05 | 3,607.00 | |
| | | | (5,835.00) | (4,063.96) | |
| | | Purchase of goods | 5.20 | - | 10.65 |
| | | | (0.97) | | (66.29) |
| | | Reimbursement of expenses | 37.78 | | 37.79 |
| | | | (-) | | (-) |
| | | | | | |
| 2 | Joint arrangement | Sale of goods | 257.22 | 525.64 | |
| | | | (87.95) | (536.84) | |
| | | | | | |
| 3 | Key management personnel | Funds repaid | 10.00 | - | 711.00 |
| | | | ( - ) | - | (721.00) |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

*(₹ in Lakhs)*

| Sl.No | Name | Nature of transaction | Transactions during the year | March 31, 2018 | |
|---|---|---|---|---|---|
| | | | | Gross trade receivables ( un-secured ) | Gross trade payables |
| | | Remuneration paid | 229.71 | - | |
| | | | (239.88) | | |
| | | Commission on profits | 191.27 | - | 266.56 |
| | | | (156.53) | | (230.33) |
| | | Rent paid | 7.03 | - | |
| | | | (6.39) | | |
| | | Interest paid | 75.43 | - | |
| | | | (79.31) | | |
| | | Purchase of assets | 42.00 | - | - |
| | | | ( - ) | | |
| | | Sitting fee paid to non-executive directors | 3.70 | - | - |
| | | | (2.30) | | |

Figures in brackets represent previous year balances

Against the above gross trade receivables, the Company had made a provision for doubtful debts of ₹ 526 lakhs for joint arrangement.

| Sl.No | Name | Designation | Directorship in other Companies | Gross trade receivables ( un-secured ) |
|---|---|---|---|---|
| **I** | **Directors** | | | |
| 1 | Dr. A J Prasad | Promoter – chairman & managing director | Beaver Technologies Private Limited | Beaver Technologies Private Limited (24.50%) |
| | | | | Kairos Engineering Limited (28.69%) |
| | | | | Guided Missile Engineering India Pvt. Ltd. (90%) |
| 2 | Mr. MSS Srinath | Promoter - whole time director | Kairos Engineering Limited | Kairos Engineering Limited (6.46%) |
| | | | Naval Systems & Technologies Pvt. Ltd | Naval Systems & Technologies Pvt. Ltd (10%) |
| | | | Beaver Technologies Private Limited | Beaver Technologies Private Limited (37.75%) |
| | | | | |
| **II** | **Key managerial personnel** | | | |
| 1 | Mrs. Kavita Prasad | Chief financial officer | Kairos Engineering Limited | Kairos Engineering Limited (11.65%) |
| | | | Naval Systems and Technologies Private Limited | |
| | | | Beaver Technologies Private Limited | Beaver Technologies Private Limited (37.75%) |
| 2 | Mr. MVSS Kumar | Company secretary | SCIL Infracon Private Limited | Not Applicable |
| | | | Guided Missile Engineering (India) Private Limited | Not Applicable |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**42.9 Disclosure as per Ind AS - 38 - Intangible Assets ( expenditure on research & development )**

Aggregate amount of research and development expenditure that is not eligible for capitalization, recognised as an expense during the period in which they were incurred and grouped under other expenses is as under:

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Employee costs | 261.55 | 722.87 |
| Finance costs | 74.55 | 1.00 |
| Other expenses | 29.63 | 117.95 |
| Professional fee | 137.27 | 193.24 |
| Depreciation and amortization | 2.41 | 25.32 |
| | | |
| **Total** | **505.41** | **1,060.38** |

**42.10 Disclosure as per Ind AS-108 - Operating Segments**

The company's operations include batteries of different types, electronics, railway signalling contracts etc. Except for batteries and electronics, the segment revenue, segment results and segment assets and liabilities of other activities are individually below the threshold limit set out in paragraph 27 of Ind AS 108. Accordingly batteries and electronics segments are shown separately as reportable segments and others are included in un-allocated segment.

1) Business segments: Batteries and Electronics segments have been considered as primary business segements for reporting under Ind AS 108 - Operating Segments issued by Ministry of Corporate Affairs. .

2) In the opinion of the management, the other segments such as railway signalling contracts and others are not reportable business segments of the Company as per paragraph 27 of Ind AS 108 - Operating Segments

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| ***Segment revenue*** | | | | |
| **Batteries** | | | | |
| Exports | 15,196.29 | | 15,491.01 | |
| Domestic sales | 1,18,357.59 | 1,33,553.88 | 1,11,590.83 | 1,27,081.84 |
| | | | | |
| **Electronics** | | | | |
| Exports | 1,540.84 | | 1,841.81 | |
| Domestic sales | 13,536.65 | 15,077.49 | 14,480.87 | 16,322.68 |
| **Unallocated** | | | | |
| Exports | 20.86 | | 61.15 | |
| Domestic sales | 14,185.35 | 14,206.21 | 9,609.47 | 9,670.62 |
| | | | | |
| *Total* | | 1,62,837.58 | | 1,53,075.14 |
| Less : Inter-segment revenue | | 426.32 | | 88.91 |
| **Net revenue** | | **1,62,411.25** | | **1,52,986.23** |
| | | | | |
| **Identifiable operating expenses** | | | | |
| Batteries | 1,14,351.10 | | 1,00,806.86 | |
| Electronics | 12,376.33 | | 13,758.50 | |
| Unallocated | 15,119.49 | 1,41,846.92 | 7,199.56 | 1,21,764.92 |

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

(₹ *in Lakhs*)

| Particulars | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| **Allocated expenses** | | | | |
| Batteries | 3,025.18 | | 9,590.26 | |
| Electronics | 852.06 | | 3,322.70 | |
| Unallocated | 4,024.12 | 7,901.36 | 6,390.43 | 19,303.39 |
| | | | | |
| **Segment operating income** | | **12,662.97** | | **11,917.92** |
| Unallocable expenses | | 4,680.85 | | 3,730.77 |
| | | | | |
| **Operating profit** | | **7,982.12** | | **8,187.15** |
| Other income | | 2,271.99 | | 1,720.51 |
| | | | | |
| **Profit before interest and exceptional items** | | **10,254.11** | | **9,907.66** |
| Exceptional items - (income)/expenses | | 975.77 | | 279.03 |
| Interest Expenses | | 4,054.57 | | 4,621.68 |
| | | | | |
| **Profit before Income taxes** | | **5,223.77** | | **5,006.95** |
| Income tax expenses | | 2,258.08 | | 1,445.52 |
| **Net profit** | | **2,965.69** | | **3,561.43** |
| | | | | |
| ***Segment depreciation(including amortisation of intangible assets )*** | | | | |
| Batteries | | 3,174.38 | | 3,443.14 |
| Electronics | | 450.99 | | 446.43 |
| Unallocated | | 977.82 | | 928.18 |
| **Total** | | **4,603.19** | | **4,817.75** |
| **Segment assets** | | | | |
| Batteries | | 92,092.36 | | 1,03,534.57 |
| Electronics | | 14,866.16 | | 18,315.52 |
| Unallocated | | 27,695.19 | | 25,619.62 |
| **Total Assets** | | **1,34,653.71** | | **1,47,469.71** |
| **Segment liabilities** | | | | |
| Batteries | | 13,562.29 | | 15,677.97 |
| Electronics | | 3,414.97 | | 4,556.84 |
| Unallocated (includes term loans,bank loans,hire purchase loans) | | 41,614.58 | | 53,294.53 |
| **Total Liabilities** | | **58,591.84** | | **73,529.34** |

# Notes forming part of the standalone financial statements
for the year ended March 31, 2018

**42.11 Financial instruments**

**A) Capital management**

The Company manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies and procedures in the past three years.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders.

**B) Financial instruments by category**

**The carrying and fair value of financial instruments by categories as of March 31, 2018 were as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | | | March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Amortised cost | Total carrying value | Total fair value | Amortised cost | Total carrying value | Total fair value |
| **Assets :** | | | | | | |
| Cash and cash equivalents | 557.21 | 557.21 | 557.21 | 303.15 | 303.15 | 303.15 |
| Other bank balances | 1,297.34 | 1,297.34 | 1,297.34 | 1,956.63 | 1,956.63 | 1,956.63 |
| Investments in subsidiaries, associates & joint arrangements | 344.13 | 344.13 | 344.13 | 842.95 | 842.95 | 842.95 |
| Trade receivables | 46,651.00 | 46,651.00 | 46,651.00 | 48,866.87 | 48,866.87 | 48,866.87 |
| Other financial assets | 4,383.26 | 4,383.26 | 4,383.26 | 3,528.66 | 3528.66 | 3528.66 |
| | | | | | | |
| **Total** | **53,232.95** | **53,232.95** | **53,232.95** | **55,498.26** | **55,498.26** | **55,498.26** |
| | | | | | | |
| **Liabilities :** | | | | | | |
| Trade payables | 12,388.05 | 12,388.05 | 12,388.05 | 16,545.69 | 16,545.69 | 16,545.69 |
| Borrowings | 36,467.76 | 36,467.76 | 36,467.76 | 47,650.44 | 47,650.44 | 47,650.44 |
| Other financial liabilities | 43,88.65 | 4,388.65 | 4388.65 | 2,890.53 | 2890.53 | 2890.53 |
| | | | | | | |
| **Total** | **53,244.46** | **53,244.46** | **53,244.46** | **67,086.66** | **67,086.66** | **67,086.66** |

**B) Financial risk management**

**Financial risk factors**

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The management reviews and designs policies and procedures to minimise potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company's exposure to credit risk is influenced mainly by the customer repayments. The Company's exposure to liquidity risks are on account of interest rate risk on borrowings. The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the management thereof.

**Market risk**

The Company operates internationally and a portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services in those countires. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

in the future. Consequently, the results of the Company's operations are affected as the rupee appreciates/ depreciates against these currencies. The Company leaves exchange rate risk with regard to foreign exposures unhedged when the local currency is depreciating against the foreign currency and hedges this risk when the local currency is appreciating against the foreign currency. Currently the foreign exchange risk of the Company is covered through natural hedge and the company uses the foreign currency denominated accounts to mitigate the exchange rate variation.

**The following table analyzes foreign currency risk from financial instruments as of March 31, 2018 :** *(₹ in Lakhs)*

| Particulars | U.S.dollars | Euro | GBP | JPY | AED | Total |
|---|---|---|---|---|---|---|
| *Trade receivables* | 74.29 | 37.32 | 0.42 | - | - | 112.03 |
| Other financial assets | - | - | | - | - | - |
| Trade payables | (20.34) | (1.12) | (0.28) | - | (0.02) | (21.76) |
| Other financial liabilities | (1.45) | (0.46) | - | - | - | (1.91) |
| **Net assets/(liabilities)** | **52.50** | **35.74** | **0.14** | **-** | **(0.02)** | **88.36** |

**The following table analyzes foreign currency risk from financial instruments as of March 31, 2017 :** *(₹ in Lakhs)*

| Particulars | U.S.dollars | Euro | GBP | JPY | AED | Total |
|---|---|---|---|---|---|---|
| *Trade receivables* | 61.39 | 39.29 | 0.60 | - | - | 101.28 |
| Other financial assets | - | - | - | - | - | - |
| Trade payables | (36.37) | (4.85) | (0.18) | (4.46) | (0.67) | (46.53) |
| Other financial liabilities | - | - | - | - | - | - |
| **Net assets/(liabilities)** | **25.02** | **34.44** | **0.42** | **(4.46)** | **(0.67)** | **54.75** |

For the year ended March 31, 2018 and March 31, 2017, the depreciation / appreciation in the exchange rate between the Indian rupee and respective unhedged foreign currency exposures, has resulted in incremental operating margins by approximate ₹ 843.38 lakhs and ₹ 590.21lakhs respectively.

### Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 46,650.99 lakhs and ₹ 48,866.87 lakhs as of March 31, 2018 and March 31, 2017, respectively . Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India and overseas. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. 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 trade receivables. The provision matrix takes into account available external and internal credit risk factors and the Company's historical experience with customers.

**The following table gives details in respect of percentage of revenues generated from top customer and top five customers :**

(*₹ in Lakhs*)

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| *Revenue from top customer* | 17.05% | 6.70% |
| Revenue from top five customers | 35.78% | 21.00% |

**Credit risk exposure**

The allowance for lifetime expected credit loss on customer balances for the year ended March 31, 2018 was ₹ 150.17 Lakhs. The allowance for lifetime expected credit loss on customer balances for the year ended March 31, 2017 was ₹ 350 Lakhs.

(*₹ in Lakhs*)

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balance at the beginning | 966.00 | 616.00 |
| Impairment loss recognised/reversed | 150.17 | 350.00 |
| Amounts written off | (590.17) | - |
| **Balance at the end** | **526.00** | **966.00** |

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies with no history of default.

**Liquidity risk**

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company also has long term and short term borrowings from banks and financial institutions. Term loans are project specific and for refinancing of capital expenditures. Short term loans repayable on demand from banks are obtained for the working capital requirements of the Company.

As of March 31, 2018, the Company had a working capital of ₹ 33,398.24 lakhs including cash and cash equivalents of ₹ 532.20 lakhs . As of March 31, 2017, the Company had a working capital of ₹ 29,275.04 lakhs including cash and cash equivalents of ₹ 303.15 lakhs

As of March 31, 2018 and March 31, 2017, the outstanding gratuity and compensated absences were ₹ 313.69 lakhs and ₹ 533.06 lakhs, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

**Interest Rate risk**

The interest rate risk is the risk that the fair value or the future cash flows of the company's financial instruments will fluctuate because of the change in market ineterest rates. The Company is exposed to interest rate risks as it has significant interest bearing loans from banks and financial institutions. These fluctuations are managed through negotiated and prefixed interest rates on term loans enabling the management to plan its future financial commitments and exposures. Short term loans repayable on demand are subject to prevailing market rate fluctuations and sanctioned facilities are availed on a need to borrow basis to ensure minimum exposure to interest rate fluctuations.

# Notes forming part of the standalone financial statements

for the year ended March 31, 2018

**The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2018 :**

*(₹ in Lakhs)*

| Particulars | < 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Trade payables | 12,388.05 | - | - | 12,388.05 |
| Long term borrowings | 2,196.42 | 451.53 | - | 2,647.95 |
| Short term borrowings | 33,819.82 | - | - | 33,819.82 |
| other financial liabilities (excluding borrowings from banks and financial institutions) | 4,388.65 | - | - | 4,388.65 |

**The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2017 :**

*(₹ in Lakhs)*

| Particulars | < 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Trade payables | 16,545.69 | - | - | 16,545.69 |
| Long term borrowings | 2,048.86 | 2,172.61 | 419.83 | 4,641.30 |
| Short term borrowings | 43,009.14 | - | - | 43,009.14 |
| Other financial liabilities (excluding borrowings from banks and financial institutions) | 2,890.53 | - | - | 2,890.53 |

## Note : 43 Disclosures relating to Corporate Social Responsibility (CSR)

As per section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend atleast two percent of its average net profits for the immediately preceding three years, on Corporate Social Responsibility (CSR ) activities. The areas for CSR activities are eradication of hunger and malnutrition, promotion of education, art and culture, health care, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the Company as per the Act. The funds were utilized through the year on these activities which are specified in schedule VII of the Companies Act, 2013.

a) Gross amount required to be spent by the Company during the year ₹ 88.76 lakhs

**b) The details of amounts spent during the year on CSR activities are as follows:**

*(₹ in Lakhs)*

| | |
|---|---|
| i) Promotion of child education | 32.42 |
| ii) Eradication of malnutrition | 32.00 |
| iii) Health care | 22.78 |
| iv) Contribution to eligible orphanages/oldage homes | 6.84 |
| | |
| **Total** | **94.04** |

## Note : 44

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

Place : Hyderabad
Date : May 28, 2018

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# CONSOLIDATED
Financial Statements

# Independent Auditors' Report

To The Members of
**HBL Power Systems Limited**

## Report on The consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of HBL POWER SYSTEMS LIMITED (hereinafter referred to as "the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group") and its Associate, as detailed in note 44, comprising the Consolidated Balance Sheet as at March 31, 2018 and the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

## Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its Associate, in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015 ('the Rules'), as amended. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in subparagraphs (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of and on the other financial information of the Group and its Associate, referred to below in the Other Matters paragraph and read together with Note no. 44, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its Associate as at March 31, 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

## Other Matters

(a) We did not audit the financial statements / financial information of Four (4) Subsidiaries, whose financial statements / financial information reflect total assets of ₹ 3,101.20 lakhs as at March 31, 2018, total revenues of ₹ 6,131.99 lakhs and net cash out-flows amounting to ₹ 124.21 lakhs for the year ended on that date, as considered in the consolidated Ind AS financial statements. The consolidated Ind AS financial statements also include the Group's share of net profit of ₹ 210.93 lakhs for the year ended 31st March, 2018, as considered in the consolidated Ind AS financial statements, in respect of its Associate whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate is based solely on the reports of the other auditors.

Our opinion on the consolidated Ind AS financial statements above, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

## Report on other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements of subsidiaries and associate companies, incorporated in India, referred in the Other Matters paragraph above we report, to the extent applicable, that:

(a) We / the other Auditors whose reports we have relied upon, have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books, and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act read with the relevant Rules.

(e) On the basis of the written representations received from the directors of the Parent as on March 31, 2018 and taken on record by the Board of Directors of the Parent and the reports of the statutory auditors, who are appointed under section 139 of the Act, of its subsidiary and associate companies incorporated in India, none of the directors of the Group companies and its associate companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls and the operating effectiveness of such controls over financial reporting, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Parent company and Subsidiary Companies and Associate Companies incorporated in India;

(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 Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer note 38.2 of the consolidated Ind AS financial statements.

ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Group Companies, which are incorporated in India.

For **Rao & Kumar**
Chartered Accountants
Firm's Registration Number 03089S

**Anirban Pal**
Partner
Membership Number 214919

Place : Hyderabad
Date : August 10, 2018

# Annexure - A :

(Referred to in Paragraph 1(f) of 'Report on Other Legal and Regulatory Requirements' in our report of even date)

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

In conjunction with our audit of the consolidated Ind AS financial statements of HBL Power Systems Limited ("the Parent") as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of the Parent, its Subsidiaries and Associate incorporated in India as of that date.

## Management's Responsibility for Internal Financial Controls

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

## Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary companies and its associate company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and 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 internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

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

We believe that the audit evidence we have obtained and audit evidence obtained by other auditors in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiaries and its associate company, which are companies incorporated in India,.

## Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

According to the information and explanations given to us and based on our audit we are of the opinion that, the Parent Company, its subsidiaries and its associate company, which are companies incorporated in India, have, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Parent Company, its subsidiaries and its associate company, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

## Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiaries and an associate, which are companies incorporated in India, is based on the corresponding reports of the auditors of those companies.

For **Rao & Kumar**
Chartered Accountants
Firm's Registration Number 03089S

**Anirban Pal**
Partner
Membership Number 214919

Place : Hyderabad
Date : August 10, 2018

# BALANCE SHEET as at March 31, 2018

(₹ in Lakhs)

| | Particulars | Note | As at March 31, 2018 | | As at March 31, 2017 | |
|---|---|---|---|---|---|---|
| I) | **ASSETS** | | | | | |
| 1 | **Non current assets** | | | | | |
| | (a) Property, plant and equipment | 4 | 34,825.88 | | 39,798.85 | |
| | (b) Capital works in progress | 6 | 386.82 | | 816.49 | |
| | (c) Intangible assets | 7 | 1,517.46 | | 1,889.23 | |
| | (d) Intangible assets under development | 8 | 2,214.55 | | 2,519.97 | |
| | (e) Equity accounted investments | 8A | 471.13 | 39,415.84 | 783.72 | 45,808.26 |
| | (f) Financial assets | | | | | |
| | (i) Investments | 9 | 0.10 | | 0.10 | |
| | (ii) Other financial assets | 10 | 3,367.65 | | 2,697.41 | |
| | (g) Other non-current assets | 11 | 304.33 | 3,672.08 | 451.90 | 3,149.41 |
| 2 | **Current assets** | | | | | |
| | (a) Inventories | 12 | 36,745.89 | | 40,771.74 | |
| | (b) Financial assets | | | | | |
| | (i) Investments | 9 | 2.00 | | 1.30 | |
| | (ii) Trade receivables | 13 | 45,317.59 | | 47,103.37 | |
| | (iii) Cash and cash equivalents | 14 | 721.76 | | 592.39 | |
| | (iv) Other bank balances | 14 | 1,302.34 | | 1,976.67 | |
| | (v) Others | 11 | 1,030.08 | | 884.54 | |
| | (c) Current tax assets (net) | 15 | 277.48 | | - | |
| | (d) Other current assets | 16 | 3,578.74 | | 6,364.46 | |
| | (e) Assets held for sale | 5 | 2,088.16 | 91,064.04 | - | 97,694.47 |
| | **Total** | | | **1,34,151.96** | | 1,46,652.14 |
| II) | **EQUITY AND LIABILITIES** | | | | | |
| 1 | **Equity** | | | | | |
| | (a) Equity share capital | 17 | 2,771.95 | | 2,771.95 | |
| | (b) Other equity | 18a | 72,396.97 | 75,168.92 | 70,140.44 | 72,912.39 |
| | (c) Non-controliing assets | 18b | | **(168.17)** | | (153.92) |
| 2 | **Non current liabilities** | | | | | |
| | (a) Financial liabilities | | | | | |
| | (i) Borrowings | 19 | 578.68 | | 2,812.06 | |
| | (b) Provisions | 20 | 201.75 | | 213.49 | |
| | (c) Deferred tax liabilities (Net) | 21 | 1,382.88 | | 1,169.79 | |
| | (e) Other non current liabilities | 22 | 111.84 | 2,275.15 | 167.77 | 4,363.11 |
| 3 | **Current liabilities** | | | | | |
| | (a) Financial liabilities | | | | | |
| | (i) Borrowings | 23 | 33,819.82 | | 43,009.15 | |
| | (ii) Trade payables | 24 | 12,564.93 | | 16,396.54 | |
| | (iii) Other financial liabilities | 25 | 6,643.86 | | 5,005.40 | |
| | (b) Other current liabilities | 26 | 2,477.19 | | 3,137.01 | |
| | (c) Provisions | 20 | 1,370.26 | | 1,720.74 | |
| | (d) Current tax liabilities (net) | 27 | - | 56,876.06 | 262.72 | 69,531.56 |
| | **Total** | | | **1,34,151.96** | | **1,46,653.14** |

The accompanying notes 1 to 47 form an integral part of this consolidated financial statements

As per our report of even date annexed
for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : August 10, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# STATEMENT OF PROFIT & LOSS for the year ended March 31, 2018

(₹ *in Lakhs)*

| | Particulars | Note | Year Ended March 31, 2018 | | Year Ended March 31, 2017 | |
|---|---|---|---|---|---|---|
| | **Revenue** | | | | | |
| I | Revenue from operations | 28 | | 1,63,419.74 | | 1,53,710.80 |
| II | Other income | 29 | | 2,374.46 | | 1,763.59 |
| **III** | **Total income (I + II)** | | | **1,65,794.20** | | 1,55,474.39 |
| **IV** | **Expenses** | | | | | |
| | Cost of material consumed | 30 | | 1,01,743.89 | | 89,161.06 |
| | Purchases of stock in trade | | | 1,212.26 | | 588.09 |
| | Changes in inventories of finished goods, stock-in-trade and work-in-progress | 31 | | 3,488.07 | | (1,208.96) |
| | Excise duty on sale of goods | | | 3,118.51 | | 12,264.37 |
| | Employee benefits expense | 32 | | 9,796.13 | | 9,967.88 |
| | Finance costs | 33 | | 4,066.57 | | 4,626.82 |
| | Depreciation and amortization expense | 34 | | 4,616.54 | | 4,849.68 |
| | Other expenses | 35 | | 31,467.53 | | 30,078.02 |
| | **Total expenses (IV)** | | | **1,59,509.50** | | 1,50,326.96 |
| **V** | **Profit before exceptional items and tax (III-IV)** | | | **6,284.70** | | 5,147.43 |
| VI | Exceptional items - (income)/expense | 36 | | 989.77 | | (250.18) |
| **VII** | **Profit after exceptional items ( V - VI )** | | | **5,294.93** | | 5,397.61 |
| **VIII** | **Share in (profit) / loss of associate / joint venture** | 8B | | **(210.93)** | | (37.17) |
| **IX** | **Profit before tax ( VII - VIII )** | | | **5,505.86** | | 5,434.78 |
| **X** | **Tax expense** | | | | | |
| | (1) Current tax | | 2,300.37 | | 1,972.33 | |
| | (2) Deferred tax (asset)/liability | | 263.50 | | (309.71) | |
| | (3) Income tax relating to previous years | | (227.66) | 2,336.21 | (67.01) | 1,595.61 |
| **XI** | **Profit after tax for the period ( IX - X)** | | | **3,169.65** | | 3,839.18 |
| **XII** | **Other comprehensive income (Net)** | | | | | |
| | Items that will not be reclassified to profit or loss - | | | | | |
| | a. Remeasurement of defined benefit plans | | 15.44 | | 253.36 | |
| | b. Tax effect | | (5.34) | | (87.68) | |
| | c. Total - ( c = a + b ) | | 10.10 | | 165.68 | |
| | Items that may be reclassified to profit or loss - | | | | | |
| | d. Exchange differences in translating the financial statements of foreign operations | | 129.74 | | (90.26) | |
| | e. Tax effect | | (44.90) | | 31.24 | |
| | f. Total - ( f = d + e ) | | 84.84 | | (59.02) | |
| | g. Total other comprehensive income (Net) - (g= c+f) | | | 94.94 | | 106.66 |
| **XIII** | **Total comprehensive income for the period (IX + X)** | | | 3,074.71 | | 3,732.52 |
| | **Profit/(Loss) for the year attributable to:** | | | | | |
| | Owner of the Company | | | 3,163.35 | | 3,865.97 |
| | Non-controlling interest | | | 6.30 | | (26.79) |
| | | | | 3,169.65 | | 3,839.18 |
| | **Other comprehensive income for the year attributable to:** | | | | | |
| | Owner of the Company | | | (94.94) | | (106.66) |
| | Non-controlling interest | | | - | | |
| | | | | (94.94) | | (106.66) |
| | **Total comprehensive income for the year attributable to:** | | | | | |
| | Owner of the Company | | | 3,068.41 | | 3,759.31 |
| | Non-controlling interest | | | 6.30 | | (26.79) |
| | | | | 3,074.71 | | 3,732.52 |
| **IV** | **Earnings per equity share (Face value Re 1/- per share)** | | **37** | | | |
| | **(1) Basic Rs** | | | **1.11** | | 1.35 |
| | **(2) Diluted Rs** | | | **1.11** | | 1.35 |

The accompanying notes 1 to 47 form an integral part of this consolidated financial statements
As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : August 10, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2018

## Equity and share capital

(₹ in Lakhs)

| | |
|---|---|
| Balance as on March 31, 2017 | 2,771.95 |
| Balance as on March 31, 2018 | 2,771.95 |

## Other equity

| Particulars | Capital reserve | Securities premium account | Other reserves | | General reserve | Retained earnings | Foreign currency translation reserve | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | | Capital redemption reserve | Investment subsidy | | | | |
| **Balance at the beginning of the reporting period April 1, 2016** | **5,569.83** | **10,437.77** | **-** | **55.77** | **36,500.00** | **5,996.00** | **(177.93)** | **58,381.43** |
| Profit for the Year | - | - | - | - | - | 4,014.54 | - | 4,014.54 |
| Other comprehensive Income for the year,net of income tax | - | - | - | - | - | (341.04) | 59.02 | (282.02) |
| Dividends (including Tax) | - | - | - | - | - | (761.26) | - | (761.26) |
| Others (In pursuance of business combination) | (5,568.81) | 12,572.90 | 2.70 | - | (4,227.65) | 6,055.35 | - | 8,834.49 |
| Adjustment to Retained earnings on account of intra group transactions | - | - | - | - | - | (46.74) | - | (46.74) |
| **Balance at the beginning of the reporting period April 1, 2017** | **1.02** | **23,010.66** | **2.70** | **55.77** | **32,272.35** | **14,916.84** | **(118.91)** | **70,140.44** |
| Profit for the Year | - | - | - | - | - | 3,169.65 | | 3,169.65 |
| Other comprehensive Income for the year,net of income tax | - | - | - | - | - | (10.09) | (84.84) | (94.93) |
| Dividends (including Tax) | - | - | - | - | - | (834.10) | | (834.10) |
| Adjustment to Retained earnings on account of intra group transactions | - | - | - | - | - | 15.92 | | |
| **Balance at the end of the reporting period March 31, 2018** | **1.02** | **23,010.66** | **2.70** | **55.77** | **32,272.35** | **17,258.22** | **(203.75)** | **72,381.06** |

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

**Anirban Pal**
*Partner*
M.No: 214919

Place : Hyderabad
Date : August 10, 2018

On behalf of the board

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 1 Corporate information

The Consolidated Financial Statements (CFS) comprise financial statements of HBL Power Systems Limited (the Parent Company) and its Subsidiaries (Collectively the Group), its Joint Venture Company and Associate Company for the year ended March 31, 2018.

The parent Company is a public limited company incorporated and domiciled in India and has its registered office at Hyderabad, Telangana State, India. The parent Company has its primary listings on the Bombay Stock Exchange and National Stock Exchange in India. The CFS were authorized for issuance by the parent Company's Board of Directors and Audit Committee on August 10, 2018.

The principal activities of the group comprises of manufacturing of different types of batteries and other products. The group is also engaged in service activities related to the above products.

## Note : 2 Basis of preparation and measurement

### 2.1 Statement of compliance

The CFS as at and for the year ended March 31, 2018 have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

### 2.2 Accounting convention and basis of measurement

The CFS have been prepared on the historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

i) Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments);

ii) Defined benefit and other long-term employee benefits

iii) Provision for Warranties

### 2.3 Functional and presentation currency

The CFS are presented in Indian rupees, which is the functional currency of the parent Company and the currency of the primary economic environment in which the parent Company operates. All financial information presented in Indian rupees has been rounded off to the nearest lakh of rupees except share and per share data.

### 2.4 Use of judgments, estimates and assumptions

The preparation of CFS in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities and contingent assets. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any affected future periods.

Information about critical judgements in applying accounting policies, as well as estimates and assumptions in respect of the following areas, that have most significant effect to the carrying amounts are included in the relevant notes.

i) Useful lives of property, plant, equipment and intangibles.

ii) Measurement of defined benefit obligations

iii) Measurement and likelihood of occurance of provisions and contingencies.

iv) Recognition of deferred tax assets / liabilities.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

v) Impairment of intangibles

vi) Expenditure relating to research and development activities.

### 2.5 Operating cycle:

Based on the nature of products / activities of the group and the normal time between acquisition of assets and their realization in cash or cash equivalents, the group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### 2.6 Basis of consolidation

a) The financial statements of all entities used for the purpose of consolidation are drawn up to the same reporting date as that of the parent Company. When the end of the reporting period of the parent Company is different from that of a subsidiary / associate / joint venture entity, that entity prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent Company to enable it to consolidate the financial information, unless it is impracticable to do so.

b) The CFS incorporate the financial statements of the parent Company and entities controlled by the parent Company. Control is achieved when the parent Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

c) The parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

d) When the parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The parent Company considers all relevant facts and circumstances in assessing whether or not its voting rights in an investee are sufficient to give it power, including:

- the size of the parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

e) Consolidation of a subsidiary begins when the parent Company obtains control over the subsidiary and ceases when it loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss from the date the parent Company gains control until the date when it ceases to control the subsidiary.

f) Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the owners of the parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

g) All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

h) Details of subsidiary companies considered in the preparation of the consolidated financial statements are given in Note 44

**i) Investments in associates and joint ventures**

I) An 'Associate' is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

II) A 'Joint Venture' is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

III) The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

IV) The group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of the associate or joint venture since the acquisition date.

V) The statement of profit and loss reflects the group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the group's OCI. In addition, when there has been a change recognised directly in the equity of associate or joint venture, the group recognises its share of any changes, when applicable, in the statement of changes in equity.

VI) The aggregate of the group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit and loss.

VII) Details of associate and joint venture companies considered in the preparation of the consolidated financial statements are given in Note 44

## Note : 3 Summary of significant accounting policies

### 3.1 Property, Plant and Equipment (PPE)

i) PPE are measured at cost less accumulated depreciation and impairment losses.

ii) The cost of PPE includes those incurred directly for the construction or acquisition of the asset, and directly attributable to bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the management and includes the present value of expected cost for dismantling / restoration, wherever applicable.

iii) The cost of major spares is recognized in the carrying amount of the item of property, plant and equipment, in accordance with the recognition criteria set out in the Standard. The carrying amount of the replaced part is derecognized at the time

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

of actual replacement. The costs of the day-to-day servicing of the item are recognized in statement of profit or loss as incurred.

iv) Depreciation on tangible assets including those on leasehold premises is provided under straight line method over the useful life of assets specified in Part C of Schedule II to the Companies Act, 2013 and in the manner specified therein, except in respect of Dies and Moulds and 'Secured Land Filling' (used for disposal of Lead Slag) which are depreciated over their technically estimated useful lives of 5 years and 10 years respectively on straight line method. Assets costing less than ₹ 5,000/- are fully depreciated in the year of purchase.

v) Depreciation methods, useful lives and residual values are reviewed at each reporting date and accounted as change in accounting estimate.

vi) Each component / part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately only when it has a different useful life. The gain or loss arising from de-recognition of an item of PPE is included in statement of profit or loss when the item is derecognized.

vii) Expenditure attributable /relating to PPE under construction / erection is accounted as under:

A) To the extent directly identifiable to any specific plant / unit, Trial run expenditure net of revenue is included in the cost of PPE.

B) To the extent not directly identifiable to any specific plant / unit, is kept under 'Expenditure During Construction' for allocation to PPE and is grouped under 'Capital work-in-progress'.

### 3.2 Intangible assets

i) Intangible asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

ii) New product development expenditure, software licences, technical knowhow fee, infrastructure and logistic facilities, etc. are recognised as Intangible Assets upon completion of development and commencement of commercial production.

iii) Intangible assets are amortized on straight line method over their technically estimated useful lives.

iv) Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates.

### 3.3 Assets taken under lease

i) In respect of equipment taken under finance leases, the lower of fair value of the leased asset and present value of minimum lease payments, is recognised as an asset and corresponding liability is created. The finance charges are allocated to the period over the lease term and are charged off.

ii) In respect of equipment taken under operating lease, lease payments are recognised as expense over the period of lease term.

iii) Cost of acquisition of leasehold land is amortized over the leasehold period.

### 3.4 Investment in subsidiaries, associates and joint ventures

i) Investments in associate and joint arrangements are accounted for using equity method

ii) Investments in entities other than associate and joint arrangements are carried at cost and diminution / impairment with reference to market value is recognized.

### 3.5 Government grants

Government grants are recognised in the statement of profit or loss on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses.

### 3.6 Inventories are valued as under:

| | | |
|---|---|---|
| I) | Raw materials, components, consumables and stores & spares. | At lower of weighted average cost and net realisable value. |
| ii) | Work-in-progress and finished goods. | At lower of net realisable value and weighted average cost of materials plus cost of conversion and other costs incurred in bringing them to the present location and condition. |
| iii) | Long term contract work in progress (where the income it is not eligible for recognition as per Income recognition policy stated elsewhere). | At direct and attributable costs incurred in relation to such contracts. |
| iv) | Stock-in-trade | At lower of cost and net realisable value |
| v) | Consumable tools | At cost less amount charged off (which is at 1/3rd of value each year). |
| vi) | Services work-in-progress | Lower of cost and net realisable value |

### 3.7 Assets held for sale

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria's are met:

(i) decision has been made to sell.

(ii) the assets are available for immediate sale in its present condition.

(iii) the assets are being actively marketed and

(iv) sale has been agreed or is expected to be concluded within 12 months of the balance sheet date.

Subsequently, such non-current assets and disposal groups classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortised.

### 3.8 Revenue recognition

i) Revenue on sale of goods is recognised when significant risks and rewards of ownership and effective control on goods have been transferred to the buyer. Sales revenue is measured at fair value net of returns, trade discounts and volume rebates. Inter divisional transfers are not recognized as revenue.

ii) Revenue on rendering of service is recognized when the outcome of the services rendered can be estimated reliably. Revenue is recognized in the period when the service is performed by reference to the contract stage of completion at the reporting date. Where services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the specified period and when a specific act is much more significant than any other acts, the recognition of revenue is postponed unitll the significant act is executed.

iii) Claims against outside agencies are accounted for on certainty of realization.

iv) Interest income is reported on an accrual basis using the effective interest method. Dividends, are recognized at the time the right to receive is established.

v) Export incentives under various schemes are recognized as income on certainty of realization.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

vi) In case of contracts (Long term) of complex equipment/systems/development order where the normal cycle time for completion is spreading over one or more accounting periods, revenue is recognised, subject to provision of anticipated losses, based on percentage completion as certified by technical committee/customers acceptance wherever applicable.

vii) Short term contracts involving supply and service where price breakup is available, revenue in respect of supplies are recognised when goods are delivered to customers unconditionally and service income is recognised on completion of service and bills submitted as per terms of the order.

## 3.9 Employee benefits

**i) Short term benefits:**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The cost of the benefits like salaries, wages, medical, leave travel assistance, short term compensated absences, bonus, exgratia, etc. is recognised as an expense in the period in which the employee renders the related service.

**ii) Post-employment benefits:**

**A) Defined contribution plans:**

The contribution paid/payable under provident fund scheme, ESI scheme and employee pension scheme is recognised as expenditure in the period in which the employee renders the related service.

**B) Defined benefit plans:**

An obligation towards gratuity is a defined benefit plan. The present value of the estimated future cash flows of the obligation under such plan is determined based on actuarial valuation using the projected unit credit method. Any difference between the interest income on plan assets and the return actuallyachieved and any changes in the liabilities over the year due to changes in actuarial assumptions or experienced adjustments within the plan are recognized immediately in OCI and subsequently not reclassified to the statement of profit and loss.

All defined benefit plan obligations are determined based on valuation as at the end of the reporting period, made by independent actuary using the projected unit credit method. The classification of the entity's net obligation into current and non-current is as per the actuarial valuation report.

**iii) Long term employee benefits:**

The obligation for long term employee benefits such as long term compensated absences, is determined and recognised in the similar manner stated in the defined benefit plan.

## 3.10 Foreign currency transactions

i) Transactions relating to non-monetary items and purchase and sale of goods/services denominated in foreign currency are recorded at the exchange rate prevailing or a rate that approximates the actual rate on the date of transaction.

ii) Assets & Liabilities in the nature of monetary items denominated in foreign currencies are translated and restated at prevailing exchange rates as at the end of the reporting period.

iii) Exchange differences arising on account of settlement / conversion of foreign currency monetary items are recognized as expense or income in the period in which they arise.

iv) Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss

v) For the purposes of presenting these CFS, the assets and liabilities of the group's foreign operations are translated into Indian Rupees using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity (and attributed to non- controlling interests as appropriate).

vi) On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent Company are reclassified to profit or loss.

vii) In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

### 3.11 Current tax and deferred tax

**i) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**ii) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profits differ from the profit as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**iii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**iv) Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

### 3.12 Borrowing costs

i) Borrowing costs incurred for obtaining assets which take substantial period to get ready for their intended use are capitalized to the respective assets wherever the costs are directly attributable to such assets and in other cases by applying weighted average cost of borrowings to the expenditure on such assets.

ii) Other borrowing costs are treated as expense for the year.

iii) Significant transaction costs in respect of long-term borrowings are amortized over the tenor of respective loans using Effective Interest Rate (EIR) method.

### 3.13 Financial instruments ( financial assets and financial liabilities ):

i) All financial instruments are recognized initially at fair value. The classification of financial Instruments depends on the objective of the business model for which it is held and the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. For the purpose of subsequent measurement, financial instruments of the group are classified into (a) Non-derivative financial instruments and (b) derivative financial instruments.

**ii) Non - derivative financial instruments**

A) Security deposits, cash and cash equivalents, employee and other advances, trade receivables and eligible current and non-current financial assets are classified as financial assets under this clause.

B) Loans and borrowings, trade and other payables including deposits collected from various parties and eligible current and non-current financial liabilities are classified as financial liabilities under this clause.

C) Financial Instruments are subsequently carried at amortized cost wherever applicable using EIR method less impairment loss.

D) Transaction costs that are attributable to the financial instruments recognized at amortized cost are included in the fair value of such instruments.

**iii) Derivative financial instruments**

A) Derivative financial assets and liabilities are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date

B) Changes in the fair value of any derivative asset or liability are recognized immediately in the income statement and are included in other income or expenses.

C) Cash flow hedge: Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in OCI and presented within equity in the cash flow hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in the statement of profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the statement of profit and loss upon the occurence of the related forecasted transaction.

### 3.14 Impairment

**i) Financial assets**

A) The group applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

◊ Financial assets that are debt instruments, and are measured at amortized cost wherever applicable for e.g., loans, debt securities, deposits, and bank balance.

◊ Trade receivables

B) The group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component. The application of simplified approach does not require the group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECL's at each reporting date, right from its initial recognition.

**ii) Non - financial assets**

The group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, the group estimates the amount of impairment loss.

### 3.15 Provisions

i) Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

ii) The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

iii) When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

iv) Provisions for onerous contracts are recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

### 3.16 Earnings Per Share ( EPS )

i) Basic EPS is computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year / period.

ii) Diluted EPS is computed by dividing the profit after tax, as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic EPS and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

### 3.17 Recent accounting pronouncements

i) In March 2018, the Ministry of Corporate Affairs issued the Companies ( Indian Accounting Standards ) (Amendments) Rules, 2018, on 28th March 2018, notifying new Ind AS 115, 'Revenue from Contracts with Customers' which is based on IFRS 15, 'Revenue from contracts with customers'.

ii) Ind AS 115 replaces existing revenue recognition standards Ind AS 11, construction contracts and Ind AS 18, revenue and revised guidance note of the Institute of Chartered Accountants of India (ICAI) on accounting for real estate transactions for Ind AS entities issued in 2016.

iii) The amendments ae applicable to the Company from April 1, 2018. The Company is evaluating the requiremens of the new Ind AS - 115, other amendments and their effect on financial statements.

# CASH FLOW STATEMENT for the year ended March 31, 2018

(₹ in Lakhs)

| | Particulars | 31-Mar-18 | | 31-Mar-17 | |
|---|---|---|---|---|---|
| A | **Cash flow from operating activities** | | | | |
| | Net profit before tax and exceptional items | | 6,495.63 | | 5,184.60 |
| | Exceptional items - income / (expenditure) * | | (989.77) | | 250.18 |
| | Other comprehensive income (net) | | (145.18) | | (163.10) |
| | **Total comprehensive income before tax** | | **5,360.68** | | 5,271.68 |
| | Adjustments for: | | | | |
| | Depreciation | 3,954.22 | | 3,989.07 | |
| | Amortisation of intangible assets | 662.31 | | 860.61 | |
| | Diminution in value of investments | 483.25 | | - | |
| | Profit on sale of investments | - | | (439.10) | |
| | Loss on sale of assets | 506.53 | | 188.92 | |
| | Advances & deposits written off | 131.77 | | 218.29 | |
| | Interest income | (357.27) | | (352.79) | |
| | Interest expense | 2,840.68 | | 3,689.64 | |
| | Provision for doubtful debts | 6.63 | | 350.00 | |
| | Other provisions | (362.22) | | 74.46 | |
| | | | **7,865.90** | | 8,579.10 |
| | **Operating profit before working capital changes** | | 13,226.58 | | 13,850.78 |
| | (Increase)/decrease in trade receivables | 1,779.16 | | (4,791.66) | |
| | (Increase)/decrease in inventories | 4,025.85 | | (1,183.75) | |
| | (Increase) / decrease in loans & advances ** | 2,512.48 | | (852.25) | |
| | Increase/(decrease) in trade payables | (3,831.62) | | (70.19) | |
| | Increase/(decrease) in current liabilities | 776.56 | | (1,788.31) | |
| | | | **5,262.43** | | (8,686.16) |
| | **Cash generated from operations** | | 18,489.01 | | 5,164.62 |
| | Income tax paid net of refunds | | (2,840.57) | | (908.02) |
| | Income tax adjustment relating to previous years | | 227.66 | | 67.01 |
| | Deferred tax asset on account of business combination | | - | | (3.30) |
| | **Net cash flow from operating activities (A)** | | **15,876.10** | | 4,320.31 |
| | | | | | |
| B | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | (1,554.98) | | (3,879.28) | |
| | Sale proceeds of fixed assets | 572.16 | | 21.23 | |
| | Addition of investments on account of business combination | - | | (163.15) | |
| | Investment of associates/JV | (171.35) | | 14.30 | |
| | Sale proceeds of investments | - | | 600.95 | |
| | Interest received | 357.27 | | 352.79 | |
| | Increase in equity on account of business combination *** | - | | 241.95 | |
| | Increase in other equity on account of business combination *** | - | | 8,834.49 | |
| | **Net cash flow from investing activities (B)** | | **(796.90)** | | 6,023.27 |

# CASH FLOW STATEMENT for the year ended March 31, 2018

Continues... *(₹ in Lakhs)*

| | Particulars | 31-Mar-18 | | 31-Mar-17 | |
|---|---|---|---|---|---|
| C | **Cash flow from financing activities** | | | | |
| | Repayment of long-term borrowings | 1,951.71 | | 1,069.77 | |
| | (Increase)/decrease in working capital borrowings | 9,179.33 | | (3,124.72) | |
| | Repayment of interest free sales tax loan | 109.36 | | 182.36 | |
| | (Increase)/decrease in unsecured loans | 34.65 | | 8,859.21 | |
| | Dividend payment | 834.10 | | 761.26 | |
| | Interest paid | 2,840.68 | | 3,689.64 | |
| | **Net cash flow used in financing activities ( C )** | | **14,949.83** | | 11,437.53 |
| | | | | | |
| | **Net increase in cash and cash equivalents (A+B-C)** | | **129.37** | | (1,093.94) |
| | Cash and cash equiv.at beginning of the period | | 592.39 | | 1,686.34 |
| | **Cash and cash equiv. at end of the period** | | **721.76** | | 592.40 |
| | | | | | |
| | **Cash and cash equivalents** | | | | |
| | Cash on hand | | 10.55 | | 18.00 |
| | Balances with banks in current account | | 711.21 | | 574.38 |
| | **Total** | | **721.76** | | 592.39 |

**Notes to the cash flow statement for the period ended 31-03-2018**

1 This statement is prepared as per Ind AS - 7 (indirect method).
2 * Details of the exceptional items are given in note 36.
3 ** Including bank balances other than cash and cash equivalents
4 *** Refer statement of changes in equity
5 Previous year's figures were re-grouped wherever necessary.

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : August 10, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 4 Property, plant and equipment as on March 31, 2018

(₹ in Lakhs)

| Description | Gross carrying amount | | | | Accumulated depreciation | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on April 1, 2017 | Additions | Adjustments/ deletions | As on March 31, 2018 | April 1, 2017 | For the Period | Adjustments/ deletions | As on March 31, 2018 | As on March 31, 2018 | As on March 31, 2017 |
| Land - freehold | 3,849.70 | 136.73 | 194.03 | **3,792.40** | - | - | - | **-** | **3,792.40** | 3,849.70 |
| Land - leasehold | 260.11 | - | - | **260.11** | 28.81 | 2.88 | - | **31.69** | **228.42** | 231.30 |
| | | * | | | | | | | | |
| Buildings - factory | 19,518.96 | 282.90 | 383.61 | **19,418.24** | 5,548.09 | 622.60 | 122.66 | **6,048.02** | **13,370.22** | 13,970.87 |
| Buildings - others | 744.56 | 1.25 | 269.42 | **476.39** | 111.52 | 11.11 | 38.42 | **84.21** | **392.18** | 633.04 |
| | | @ | | | | | | | | |
| Plant and equipment | 45,934.19 | 1,416.93 | 1,221.96 | **46,129.16** | 25,764.16 | 3,062.34 | 865.34 | **27,961.16** | **18,168.00** | 20,170.03 |
| Furniture & fixtures | 852.59 | 9.90 | 66.15 | **796.34** | 627.64 | 55.08 | 62.55 | **620.16** | **176.18** | 224.95 |
| Vehicles | 1,231.91 | 91.29 | 209.43 | **1,113.77** | 829.60 | 92.63 | 181.11 | **741.12** | **372.65** | 402.30 |
| Office equipment | 2,153.79 | 209.10 | 66.18 | **2,296.71** | 1,854.48 | 100.64 | 62.01 | **1,893.11** | **403.59** | 299.31 |
| Office equipment under finance lease | 86.48 | - | - | **86.48** | 69.13 | 6.95 | - | **76.08** | **10.40** | 17.35 |
| Technical library | 1.89 | - | - | **1.89** | 1.89 | - | - | **1.89** | **-** | - |
| **Total** | **74,634.17** | **2,148.09** | **2,410.78** | **74,371.49** | **34,835.32** | **3,954.22** | **1,332.09** | **37,457.45** | **36,914.04** | **39,798.85** |
| Less: Transferred to assets held for sale | | | | | | | | | **2,088.16** | |
| **Net** | **74,634.17** | **2,148.09** | **2,410.78** | **74,371.49** | **34,835.32** | **3,954.22** | **1,332.09** | **37,457.45** | **34,825.88** | **39,798.85** |
| Carrying Value as at March 31, 2017 | 70,632.82 | 4,929.22 | 927.86 | **74,634.17** | 31,563.97 | 3,989.07 | 717.72 | **34,835.32** | 39,798.85 | |

**4.1** In respect of dies & moulds and secure land filling included in plant & machinery group, the management had, in the past, technically estimated their useful lives at 5 years and 10 years respectively and the company had continued to charge such higher depreciation ( as compared to Schedule II to the Act ) on the same basis.

## Note : 5 Assets held for sale

*(₹ in Lakhs)*

| Groups of assets held for sale | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Lease hold land | 215.54 | - |
| Land development | 35.97 | - |
| Buildings | 1,836.65 | - |
| **Total** | **2,088.16** | - |

## Note : 6 Capital work in progress

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Machinery under erection | 267.60 | 520.12 |
| Civil works in progress | 119.22 | 59.14 |
| Pre-operative expenses to be capitalised | - | 237.24 |
| **Total** | **386.82** | 816.49 |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 7 Intangible assets as on March 31, 2018

(₹ in Lakhs)

| Description | Gross carrying amount | | | | Accumulated amortization | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on April 1, 2017 | Additions | Adjustments/ Deletions | As on March 31, 2018 | As on April 1, 2017 | For the period | Adjustments/ Deletions | As on March 31, 2018 | As on March 31, 2018 | As On March 31, 2017 |
| New product development expenditure(internally generated) | 3,457.62 | 135.54 | - | **3,593.16** | 2,730.08 | 306.04 | - | **3,036.13** | **557.03** | 727.54 |
| Power facility | 96.16 | - | - | **96.16** | 81.74 | 14.42 | - | **96.16** | **-** | 14.42 |
| Technical knowhow fee | 864.73 | 155.00 | - | **1,019.73** | 515.72 | 180.70 | - | **696.42** | **323.31** | 349.01 |
| Software development | 966.89 | - | - | **966.89** | 174.58 | 161.15 | - | **335.73** | **631.16** | 792.31 |
| Trade marks and other business intangibles | 55.95 | - | 50.00 | **5.95** | 5.00 | - | 5.00 | **-** | **5.95** | 5.95 |
| **Total** | **5,441.35** | **290.54** | **50.00** | **5,681.89** | **3,507.12** | **662.31** | **5.00** | **4,164.43** | **1,517.46** | **1,889.23** |
| Carrying Value as at March 31, 2017 | 5,162.90 | 278.45 | - | **5,441.35** | 2,691.51 | 860.61 | - | **3,552.12** | **1,889.23** | |

## Note : 8 Intangible assets under development

(₹ in Lakhs)

| Description | As on March 31, 2018 | As on March 31, 2017 |
|---|---|---|
| 1) New product development expenditure (Internally generated) | | |
| a) Battery products | 919.02 | 1,054.56 |
| b) Electronic products | 652.20 | 652.20 |
| 2) Technical knowhow fee paid | 643.33 | 798.33 |
| 3) Power facility | - | 14.88 |
| **Total** | **2,214.55** | **2,519.97** |

**Note : 8A Equity accounted investments:**

**Gulf Batteries Company (Joint Venture Company)**

The group had a 40% interest in the entity which was involved in the manufacture of some of the groups' main product lines out side India. Upto the previous year the groups' interest in the enity is accounted for using the equity method in the consolidated financial statements. However, for the reasons setout in note No. 44 the JV Company is not considered for consolidation for the current financial year.

**Naval Systems and Technologies Private Limited (Associate Company)**

The group has a 41% interest in the entity which is involed in providing services to foreign original equipment manufactures. The groups' interest in the enity is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the associate company along with reconciliation is set out below: *(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---:|---:|
| Current assets | 1,348.15 | 991.48 |
| Non current assets | 10.61 | 5.49 |
| Current liabilities | (208.59) | (219.53) |
| Non current liabilities | (1.09) | (0.69) |
| **Equity** | **1,149.09** | **776.75** |
| Proportion of the group's ownership | 41% | 41% |
| **Carrying amount of the investment** | **471.13** | **318.47** |

**Equity accounted investments** *(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---:|---:|
| Gulf Batteries Company | - | 465.25 |
| Naval Systems andTechnologies Private Limited | 471.13 | 318.47 |
| **Total** | **471.13** | **783.72** |

**Note : 8B Share in profit / (loss) of associate / joint venture**

**Summarised statement of profit and loss of Gulf Batteries Company**

As stated in note 8A above and for the reasons setout in note No. 44 the JV Company is not considered for consolidation for the current financial year.

**Summarised statement of profit and loss of Naval Systems and Technologies Private Limited** *(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---:|---:|
| Revenue | 1836.44 | 709.02 |
| Cost of raw material and components consumed | (975.48) | (291.90) |
| Depreciation & amortisation | (1.43) | (2.86) |
| Finance cost | (7.66) | (1.03) |
| Employee benefit. | (257.49) | (169.08) |
| Other expenses | (79.91) | (83.64) |
| **Profit before tax** | **514.46** | **160.50** |
| Proportion of the group's ownership | 41% | 41% |
| **Group's share of profit / (loss) for the year** | **210.93** | **65.81** |

**Share in profit / (loss ) of associate / joint venture** *(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---:|---:|
| Gulf Batteries Company | - | (28.63) |
| Naval Systems andTechnologies Private Limited | 210.93 | 65.81 |
| **Total** | **210.93** | **37.17** |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 9 Investments

(₹ in Lakhs)

| Non - current - un-quoted | | | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|---|---|
| i) In equity instruments: (fully paid-up) | | | | | |
| Number | | Face value | Name of the entity | | |
| Current year | Previous year | | | | |
| a) Joint arrangement company | | | | | |
| 11,00,000 | 11,00,000 | SR 10 | Gulf Batteries Company Limited (Kingdom of Saudi Arabia) | **1,424.51** | |
| b) Controlled company | | | | | |
| 1,80,000 | 1,80,000 | ₹ 10 | Kairos Engineering Limited | **18.00** | |
| | | | | | |
| Non -current - quoted | | | | | |
| e) Other companies (listed but not quoted) | | | | | |
| 200 | 200 | ₹ 10 | Indian Lead Limited | **0.10** | 0.10 |
| | | | | **1,442.61** | 0.10 |
| | Less: Aggregate provision for impairment in value of investments (refer note no. 44) | | | **1,442.51** | - |
| | | | | | |
| | Carrying value of non-current investments | | | **0.10** | 0.10 |

(₹ in Lakhs)

| Current investments- quoted : In equity instruments of other companies: (fully paid-up) | | | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|---|---|
| (Received in pursuance of business combination) | | | | | |
| Number | | Face value | Name of the entity | | |
| Current year | Previous year | | | | |
| 690 | - | ₹ 1 | JSW Steel Limited | **2.58** | 2.58 |
| In liquid mutual funds: (fully paid-up) (Received in pursuance of business combination) | | | | | |
| 1 | - | ₹ 10 | Reliance Mutual Fund Shares Liquid BEES | **0.01** | 0.01 |
| | | | TOTAL | **2.59** | 2.59 |
| | Less : Aggrgate provision for diminution in value of investments | | | **0.59** | 1.28 |
| | | | | | |
| | Carrying value of current investments | | | **2.00** | 1.31 |

**9.1**

(₹ in Lakhs)

| | Non - current | Current | Non - current | Current |
|---|---|---|---|---|
| Aggregate amount of quoted investments | **0.10** | **2.59** | 0.10 | 2.59 |
| Aggregate market value of quoted investments | **Not Available** | **0.59** | Not Available | 1.30 |
| Aggregate amount of unquoted investments | **-** | **-** | - | - |
| Aggregate amount of impairment / diminution in value of investments | **-** | **2.00** | - | 1.28 |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 10 Other financial assets

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Non-current** | | |
| Bank deposits (maturity beyond 12 months) | | |
| Fixed deposits | 18.84 | 31.05 |
| Margin money deposits | 2,397.96 | 1,581.80 |
| Security deposits with government and others | 943.98 | 1,074.17 |
| Advances to employees | 6.88 | 10.39 |
| **TOTAL** | **3,367.65** | **2,697.41** |

## Note : 11 Other non- current assets

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Capital advances** | 304.33 | 452.90 |
| TOTAL | **304.33** | **452.90** |

## Note : 12 Inventories *

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Raw materials | 20,671.12 | 20,283.07 |
| Stores, spares. process chemicals, fuels & packing material | 756.10 | 746.40 |
| Stock -in-trade (in respect of goods acquired for trading) | 1,483.85 | 1,179.75 |
| Bonded stocks/In transit | 122.19 | 1,081.16 |
| Consumable tools | 25.01 | 1.57 |
| Work in progress | 7,963.77 | 11,961.69 |
| Finished goods | 5,723.85 | 5,518.09 |
| TOTAL | **36,745.89** | **40,771.74** |

**12.1** *Inventories are valued as per accounting policy in note no. 3.6

## Note : 13 Trade receivables

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Unsecured, considered good | 45,317.59 | 47,103.37 |
| Unsecured and considered doubtful | 552.63 | 546.00 |
| Allowance for credit losses | (552.63) | (546.00) |
| TOTAL | **45,317.59** | **47,103.37** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 14

### 14.1 Cash and cash equivalents

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balances with banks in current accounts | 604.43 | 464.38 |
| Cash on hand | 10.55 | 18.00 |
| Fixed deposits (maturity of less than three months) | 106.78 | 110.00 |
| **TOTAL** | **721.76** | **592.39** |

### 14.2 Other bank balances

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Fixed deposits | 52.85 | 87.40 |
| Margin money deposits | 1,214.88 | 1,855.45 |
| Dividend account | 34.61 | 33.82 |
| **TOTAL** | **1,302.34** | **1,976.67** |

### 14.3 Financial assets - others (current)

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Security deposits with government and others | 239.55 | 190.70 |
| Advances to employees | 39.53 | 42.44 |
| Claims and other receivables | 266.52 | 253.13 |
| Interest accrued but not due on deposits | 484.48 | 398.27 |
| **TOTAL** | **1,030.08** | **884.54** |

### 14.4 Claims and other receivables include :

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Insurance claim on account of heavy rainfall (refer note : 14.5) | 95.16 | 95.16 |
| b) Payments under protest for pending litigations | 169.38 | 142.65 |
| c) Other receivables | 1.98 | 15.32 |
| **TOTAL** | 266.52 | **253.13** |

**14.5** During the year 2011-12, certain assets of the Company were damaged due to heavy rainfall. The Company had incurred ₹95.16 lakhs towards repairing the damages caused and was accounted for as claim recoverable. The cost of new assets acquired is capitalised. However, the claim is made for total cost of repairs and acquisition of assets, as the loss is covered under re-instatement Policy which was in force. The total claim was repudiated by the Insurer and the Company filed a suit for recovery. The matter is still sub-judice.

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 15 Current tax assets (net)

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advance payment of income tax (including TDS) | 4,697.05 | - |
| Less : Provision for income tax | 4,419.57 | - |
| **TOTAL** | **277.48** | **-** |

## Note : 16 Other current assets

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Advances other than capital advances:** | | |
| Advances to employees | 52.27 | 76.88 |
| Advances to vendors for supply of goods / services | 2,238.33 | 3,116.66 |
| **B. Others:** | | |
| Prepaid expenses | 187.36 | 163.02 |
| Deferred contract cost | - | 1,265.21 |
| Export incentives receivable | 397.33 | - |
| Depoists/balances with excise | - | 1,207.95 |
| GST/service tax input/vat receivables | 698.97 | 534.21 |
| Others | 4.49 | 0.54 |
| **TOTAL** | **3,578.74** | **6,364.46** |

## Note : 17 Equity share capital

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Authorised** | | |
| 31,25,00,000 equity shares of Re.1 each | 3,125.00 | 3,125.00 |
| (Previous year 31,25,00,000 equity shares of Re.1 each) | | |
| | | |
| **Issued , subscribed and fully paid-up** | | |
| 27,71,94,946 equity shares of Re.1 each | 2,771.95 | 2,771.95 |
| (Previous year 27,71,94,946 equity shares of Re.1 each) | | |
| **TOTAL** | **2,771.95** | **2,771.95** |

### 17.1 Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| Equity shares | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No.of shares | Value ₹ in lakhs | No.of shares | Value ₹ in lakhs |
| At the beginning of the period | 27,71,94,946 | 2,771.95 | 25,30,00,000 | 2,530.00 |
| Additions during the period on account of business combination | | | 17,40,94,389 | 1,740.94 |
| Deductions during the period on account of business combination | | | 14,98,99,443 | 1,498.99 |
| **Outstanding at the end of the period** | **27,71,94,946** | **2,771.95** | **27,71,94,946** | **2,771.95** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

### 17.2 Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Re.1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in indian rupee. The dividend proposed by the board of directors is subject to the approval of the shareholders in the ensuing annual general meeting.

### 17.3 Details of shareholders holding more than 5% shares in the Company

*(₹ in Lakhs)*

| Name of the shareholder | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | No. of shares | % holding in the class | No. of shares | % holding in the class |
| **Equity shares of Re.1 each fully paid** | | | | |
| **Promoter and promoter group** | | | | |
| Barclays Wealth Trustees (India) Pvt Ltd -Aluru Family Pvt Trust | 13,68,40,231 | 49.37 | 13,68,40,231 | 49.37 |
| **Public** | | | | |
| BanyanTree Growth Capital LLC | 2,89,83,735 | 10.46 | 2,89,83,735 | 10.46 |
| Oman India Joint Investment Fund Management Company Pvt Ltd | 2,68,42,240 | 9.68 | 2,68,42,240 | 9.68 |

## Note : 18

### a. Other equity - (refer statement of changes in equity )

*(₹ in Lakhs)*

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| **Capital reserve** | | 1.02 | | 1.02 |
| **Capital redemption reserve** | | | | |
| Opening balance | 2.70 | | - | |
| Addition during the year ( in pursuance of business combination) | - | 2.70 | 2.70 | 2.70 |
| | | | | |
| **Investment subsidy from state government** | | 55.77 | | 55.77 |
| | | | | |
| **Securities premium account** | | | | |
| Opening balance | 23,010.66 | | 10,437.77 | |
| Addition during the year ( in pursuance of business combination) | - | 23,010.66 | 12,572.90 | 23,010.66 |
| | | | | |
| **General reserve** | | | | |
| Opening balance | 32,272.35 | | 36,500.00 | |
| Add: In pursuance of business combination | - | | (4,227.65) | |
| Add: Transferred from retained earnings | - | 32,272.35 | - | 32,272.35 |
| | | | | |
| **Retained earnings (balance of surplus in the statement of changes in equity )** | | 17,258.22 | | 14,916.84 |
| | | | | |
| **Foreign currency translation reserve** | | (203.75) | | (118.91) |
| **TOTAL** | | **72,396.97** | | **70,140.44** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**b. Non-controlling interests**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| In equity share capital | - | 20.55 |
| **In other equity** | | |
| Opening balance (adjusted for change in percentage of shareholding) | (174.47) | (147.68) |
| Additions/deletions during the year | 6.30 | (26.79) |
| Closing balance | (168.17) | (174.47) |
| **TOTAL** | **(168.17)** | **(153.92)** |

## Note : 19 Non- current - financial liabilities

### 19.1 Borrowings

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Term loans from Bank s (secured)** | | |
| IDBI Bank ltd | 417.00 | 1,250.20 |
| HDFC Bank Ltd | - | 1,000.00 |
| HDFC Bank Ltd. - against vehicles | 3.04 | 18.09 |
| Loan from others (Refer Note - 19.5 (d) ) | 127.16 | **159.62** |
| TOTAL ( A ) | 547.20 | 2,427.90 |
| **B. Loans from others (un-secured)** | | |
| Deferred payment laibility - interest free sales tax loan | 31.49 | **324.16** |
| Loan from others | - | **60.00** |
| **TOTAL ( B )** | **31.49** | **384.16** |
| **TOTAL ( A + B )** | **578.68** | **2,812.06** |

### 19.2 Current - financial liabilities

*(₹ in Lakhs)*

| Borrowings (current maturities) | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Long term debt from Banks (secured)** | | |
| IDBI Bank Ltd | 833.20 | 833.20 |
| HDFC Bank Ltd | 1,000.00 | 1,000.00 |
| HDFC Bank Ltd. - against vehicles | 15.05 | 26.05 |
| HDFC Bank Ltd. - against vehicles | 33.03 | 32.93 |
| Loan from others (Refer note - 19.5 (d) ) | | |
| **TOTAL ( A )** | **1,881.27** | **1,892.18** |
| | | |
| **B. Current maturities of finance lease obligations - from HPFSIPL** | - | **7.55** |
| | | |
| **C. Loans from others (un-secured)** | | |
| Deferred payment laibility - interest free sales tax loan | 348.18 | 164.86 |
| Loan from HPFSIPL - against equipment | - | 17.20 |
| **TOTAL ( C )** | **348.18** | **182.06** |
| **TOTAL ( A + B + C )** | **2,229.45** | **2,081.79** |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**19.3 Current maturities of long term debt**

instalments due within 12 months from the date of balance sheet classified as current as shown above are disclosed under " other current liabilities"

**19.4 Term loans :**

The particulars of loans drawn, nature of security, terms of repayment, rate of interest, instalments due and loan wise outstanding are as under.

**19.5 Term loan from IDBI and HDFC :**

**a)** The capex term loan of ₹ 2,500 lakhs is sanctioned by IDBI Bank for setting up of spun concrete poles unit with a project cost of ₹ 3,350 lakhs with a capacity of 1,00,000 poles p.a. at Narsaraopet, Guntur District, Andhra Pradesh. The loan is secured by pari passu first charge on the entire property, plant and equipment of the Company both present and future. This loan is also guaranteed by CMD, spouse of CMD, Director and CFO in their personal capacity.

**b)** HDFC term loan II of ₹ 2,000 lakhs is towards the refinancing of capital expenditure of the Company. The loan is secured by a first charge on the entire property, plant and equipment of the Company both present and future. This loan is also guaranteed by CMD, Director and CFO in their personal capacity.

(*₹ in Lakhs)*

| Name of the bank | Loan amount drawn | No of instalments | % of interest | Outstanding as on March 31,2018 |
|---|---|---|---|---|
| IDBI Bank Ltd | | | | |
| - Term loan | 2,500.00 | 12 (QTLY) commencing from 1-10-2016 | 11.35 | 1,250.20 |
| HDFC Bank Ltd | | | | |
| - Term Loan II | 2,000.00 | 4 (HY) commencing from 30-09-2017 | 9.85 | 1,000.00 |

**c) HDFC Bank Ltd - vehicle loan**

The term loans are secured by exclusive hypothecation of vehicles acquired through execution of demand promissory notes and are repayable by equated monthly instalments (EMIs') as per the loan schedule sanctioned by the bank.

**d)** HBL U.S.A

Represents loan in the form of note entered into with the State of Connecticut Department of Economic And Community Development, U.S.A., which is repayable from October 1, 2014 in 96 installments at an interest rate of 2% and is secured by Coporate Assets.

**19.6 Unsecured loans**

**a ) Deferred payment liability - Interest Free Sales Tax Loan (IFST):**

IFST loan represents the sales tax payable by the Company given as loan by state government under a scheme and is to be repaid without interest after 14 years from the date of availment. The loan requires creation of a charge on the assets of the Company. Pending creation of charge, the amount is shown as 'unsecured loan' to be regrouped as secured loan as and when the charge is created. Pursuant to requirement under Ind AS - 109 on financial Instruments and in view of the option exercised under Ind AS - 101 on first time adoption of Ind AS, un-winding of interest using effective interest rate was made and the deferred government grant carved out, from the said loan, is being amortized in equal instalments over the remaining repayment period of the IFST loan.

**19.7** As on the balance sheet date, there were no continuing defaults in repayment of borrowings and interest.

## Note : 20

### 20.1 Provisions ( non - current )

(*₹ in Lakhs*)

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for earned leave encashment | 201.75 | 213.49 |
| **TOTAL** | **201.75** | **213.49** |

### 20.2 Provisions ( current )

(*₹ in Lakhs*)

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for earned leave encashment | 9.51 | 15.89 |
| Provision for gratuity | 102.43 | 303.68 |
| **Other provisions** | | |
| Provision for warranties | 1,037.05 | 856.60 |
| Provision for excise duty on closing stocks | - | 358.04 |
| Provision for commission on profits to director | 191.27 | 156.53 |
| Contingency provision | 30.00 | 30.00 |
| **TOTAL** | **1,370.26** | **1,720.74** |

## Note : 21 Deferred tax liability (net)

(*₹ in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Deferred tax liability (as per last balance sheet) | 1,169.79 | 1,471.19 |
| Less : On account of business combination (DTA) | - | (3.30) |
| Add: Deferred tax (asset)/liability for the year | 213.09 | (366.16) |
| Add: Adjustment on account of re-classification | | 68.06 |
| **TOTAL** | **1,382.88** | **1,169.79** |

## Note : 22 Other non- current liabilities

(*₹ in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Deferred government grant ( refer note 19.6 ) | 111.83 | 167.77 |
| **TOTAL** | **111.83** | **167.77** |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 23 Borrowings

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **A. Loans repayable on demand from banks ( secured )** | | |
| State Bank of India(SBI) | 11,791.17 | 12,691.11 |
| IDBI Bank Ltd | - | 1,867.73 |
| ICICI Bank Ltd | 7,245.32 | 6,840.46 |
| Axis Bank Ltd | 8,153.38 | 4,482.01 |
| Buyer's credit from Banks | - | 1,909.70 |
| **TOTAL ( A )** | **27,189.87** | **27,791.01** |
| | | |
| **B. Loans repayable on demand from related parties ( unsecured )** | | |
| Loans from directors | 711.00 | 721.00 |
| **TOTAL ( B )** | **711.00** | **721.00** |
| | | |
| **C. Other loans from banks (unsecured)** | | |
| Purchase bill discounting from Kotak Mahindra Bank Ltd | 2,812.34 | 4,441.46 |
| Purchase bill discounting from IDBI Bank Ltd | 2,829.63 | 6,111.54 |
| Sale bills (LC backed) discounted with SBI | 276.98 | 2,726.25 |
| Sale bills (LC backed) discounted with Yes Bank Ltd | - | 1,217.89 |
| **TOTAL ( C )** | **5,918.95** | **14,497.14** |
| | | |
| **TOTAL ( A + B + C )** | **33,819.82** | **43,009.15** |

**23.1 Working capital loans**

The demand loans from banks are secured by a first charge on all the chargeable current assets and by a second charge on the property, plant and equipment (both present and future) of the Company. All the loans are also guaranteed by CMD, spouse of CMD, whole time director and CFO in their personal capacity.

**23.2** Purchase bill discounting from Kotak Mahindra Bank Ltd. is guaranteed by CMD and whole time director of the Company in their personal capacity and purchase bill discounting from IDBI Bank Ltd. is secured by accepted bill of exchange and post dated cheque/standing instructions for making payment on due date.

**23.3** Loan from directors is repayable on demand with interest.

## Note : 24 Trade payables

(₹ *in Lakhs*)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Total outstanding dues of : | | |
| Micro Enterprises & Small Enterprises (MESE) | 949.47 | 284.50 |
| Payables other than MESE | 11,438.58 | 16,261.18 |
| **TOTAL** | **12,564.93** | **16,396.54** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**24.1 Details relating to Micro, Small & Medium Enterprises (Relating to Parent Company) :**

*(₹ in Lakhs)*

| Provision for employee benefits | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **The principal amount and the interest due thereon remaining unpaid to any supplier at the year end :** | | |
| Principal amount | 949.47 | 284.50 |
| Interest | 2.74 | 8.72 |
| **The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day** | | |
| Principal amount | 4,287.97 | 4,184.08 |
| Interest | - | - |
| The amount of interest due and payable for the period of delay in | | |
| making payment (beyond the appointed day during the year) | 17.29 | 15.71 |
| The amount of interest accrued and remaining unpaid | 20.04 | 24.43 |
| The amount of further interest remaining due and payable for the earlier years | 762.08 | 737.65 |

**Note:** The information has been given in respect of those suppliers who have intimated the Company that they are registered as micro enterprises and small enterprises. Some of the vendors who come under the MSMED Act 2006 have been associated with the Company for a long time and have a continuous business relationship. The Company is usually prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no claims were received by the Company. The Company expects that there will be no claims in future also for interest.

## Note : 25 Other financial liabilities - current

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current maturities of long-term debt(refer note - 19.2 ) | 2,229.45 | 2,074.24 |
| Current maturities of finance lease obligations (refer note - 19.2) | - | 7.55 |
| Interest accrued but not due on loans | 32.45 | 77.61 |
| Unpaid/unclaimed dividends (refer note - 25.1 ) | 34.61 | 33.82 |
| Trade deposits | 180.41 | 196.94 |
| Creditors for capital expenditure | 68.30 | 167.80 |
| Statutory dues | 2,298.29 | 657.39 |
| Directors' current account | 266.56 | 220.02 |
| Accrued compensations to employees | 1,532.72 | 1,566.43 |
| Others | 1.07 | 3.60 |
| **TOTAL** | **6,643.86** | **5,005.40** |

**25.1** Does not include any amount outstanding which is required to be credited to Investor Education and Protection Fund (IEPF).

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 26 Other current liabilities

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advances against sales | 1,166.66 | 1,990.44 |
| Accrued expenses | 1,310.53 | 1,146.57 |
| **TOTAL** | **2,477.19** | **3,137.01** |

## Note : 27 Current tax liabilities (net)

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Provision for income tax | - | 3,197.45 |
| Advance payment of income tax (including TDS) | - | 2,934.73 |
| **TOTAL** | **-** | **262.72** |

## Note : 28 Revenue from operations

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| (a) Sale of products ( including excise duty ) | 1,57,987.58 | 1,49,956.55 |
| (b) Sale of traded goods | 784.60 | 552.12 |
| (c) Sale of services | 3,796.75 | 3,158.98 |
| (d) Other operating revenue - sale of scrap | 850.81 | 43.15 |
| **TOTAL** | **1,63,419.74** | **1,53,710.80** |

## Note : 29 Other income

(₹ *in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **a. Interest income** | | |
| Interest received on deposits with banks/others | 357.27 | 352.79 |
| Interest on IT refunds | 43.95 | 125.27 |
| | | |
| **b. Other non-operating income (net of directly attributable expenses )** | | |
| Exchange gains | 841.54 | 611.24 |
| Deferred income-govt. grant | 55.92 | 55.92 |
| Export incentives received | 740.10 | - |
| Miscellaneous income | 335.68 | 618.38 |
| **TOTAL** | **2,374.46** | **1,763.59** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 30 Cost of material consumed

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Opening stocks | 20,283.07 | 20,890.13 |
| Purchases - Material,Components and Consumables | 1,02,175.13 | 88,630.83 |
| | **1,22,458.20** | **1,09,520.96** |
| Less : closing stocks | 20,671.12 | 20,283.07 |
| | **1,01,787.07** | **89,237.89** |
| Less : Internal capitalisation | 43.18 | 76.83 |
| **Cost of material consumed** | **1,01,743.89** | **89,161.06** |

## Note : 31 Changes in inventories of finished goods, stock-in-trade and work-in-progress

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **a. Manufactured goods** | | |
| i) Opening stocks | | |
| a) Semi finished goods | 11,961.69 | 10,746.34 |
| b) Finished goods | 5,518.09 | 5,583.55 |
| TOTAL ( A ) | **17,479.78** | **16,329.89** |
| ii) Closing stocks | | |
| a) Semi finished goods | 7,963.77 | 11,961.69 |
| b) Finished goods | 5,723.85 | 5,518.09 |
| TOTAL (B) | **13,687.62** | **17,479.78** |
| | | |
| **( Increase ) / decrease ( C = A - B )** | 3,792.16 | (1,149.89) |
| **b. Traded goods** | | |
| Opening stock of traded goods | 1,179.75 | 616.96 |
| Add : in pursuance of business combination | - | 503.72 |
| | 1,179.75 | 1,120.68 |
| Closing stock of traded goods | 1,483.85 | 1,179.75 |
| | | |
| **(Increase) / decrease ( D )** | **(304.10)** | **(59.07)** |
| | | |
| **(Increase) / decrease in inventory ( C + D )** | **3,488.07** | **(1,208.96)** |

## Note : 32 Employee benefits expense

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Salaries and bonus | 7,691.82 | 8,004.91 |
| Contribution to provident and other funds | 637.25 | 642.42 |
| Gratuity | 96.93 | 60.35 |
| Staff welfare expenses | 988.13 | 928.56 |
| Recruitment and training | 29.11 | 14.89 |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 32 Employee benefits expense (Contd...)

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Remuneration to directors:** | | |
| Salaries and allowances | 146.40 | 146.40 |
| Contribution to provident fund | 11.52 | 11.52 |
| Commission on profits | 191.27 | 156.53 |
| Directors' sitting fees | 3.70 | 2.30 |
| **TOTAL** | **9,796.13** | **9,967.88** |

## Note : 33 Finance cost

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Interest on term loans | 357.31 | 527.95 |
| Interest on bank borrowings | 2,479.91 | 3,161.68 |
| Interest on vehicle loans | 3.46 | 7.18 |
| Interest on other loans | 0.66 | 6.86 |
| Interest on unsecured loans | 75.43 | 79.31 |
| Interest - others | 273.48 | 218.09 |
| Bank charges and commission | 876.32 | 734.43 |
| | 4,066.57 | 4,735.50 |
| Less: Transfers to pre-operative expenses | - | **108.68** |
| | | |
| **TOTAL** | **4,066.57** | **4,626.82** |

## Note : 34 Depreciation and amortization expense

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Depreciation of tangible assets | 3,954.22 | 3,989.07 |
| Amortisation of intangible assets | 662.31 | 860.61 |
| **TOTAL** | **4,616.54** | **4,849.68** |

## Note : 35 Other expenses

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Stores & spares consumed | 2,104.86 | 1,945.38 |
| Equipment lease rentals | 25.95 | 28.76 |
| Factory rent | 38.18 | 32.90 |
| Consumable tools charged off | 13.76 | 10.19 |
| Contract wages | 8,765.81 | 8,361.01 |
| Testing charges | 233.07 | 194.76 |
| Power and Fuel | 6,188.26 | 5,280.70 |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 35 Other expenses (Contd...)

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Rent | 360.08 | 339.98 |
| Rates, duties & taxes | 451.98 | 551.55 |
| Insurance | 312.94 | 318.52 |
| Professional & consultancy charges | 609.68 | 1,271.77 |
| Expenditure incurred on corporate social responsibility activities | 94.04 | 57.69 |
| Repairs and maintenance | 1,011.89 | 1,158.39 |
| Travelling and conveyance | 1,354.65 | 1,452.02 |
| Sundry expenses | 1,298.36 | 1,582.75 |
| Payments to auditors | 37.60 | 36.15 |
| Audit expenses | 3.26 | 2.34 |
| Advances & deposits written off | 131.77 | 218.29 |
| Freight & insurance on sales | 4,900.40 | 4,294.03 |
| Liquidated damages | 290.98 | 248.20 |
| Commission on sales | 237.39 | 148.96 |
| Provision for / write off of trade receivables | 1,132.13 | 1,195.60 |
| Provision for warranties (net) | 186.31 | 45.28 |
| Installation charges paid | 1,086.21 | 645.51 |
| Televan hire charges | 60.33 | 109.68 |
| Other selling expenses | 537.64 | 547.61 |
| **TOTAL** | **31,467.53** | **30,078.02** |

## Note : 36 Exceptional items of (income)/expenditure

(₹ in Lakhs)

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Profit on sale of investments | - | (439.10) |
| Impairment / diminution In value of investments (refer note no. 44 ) | 483.25 | - |
| (Profit)/Loss on sale of assets | 729.71 | 225.63 |
| (Profit)/Loss on sale and exchange of land | (223.19) | (36.71) |
| **TOTAL** | **989.77** | **(250.18)** |

## Note : 37 Disclosure as per Ind AS - 33 earnings per share ( EPS ) - face value of share : Re. 1/- each

**Computation of EPS (basic & diluted)**

(₹ in Lakhs)

| Computation of EPS (basic & diluted) | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Profit After Tax (₹) | 3,074.71 | 3,732.52 |
| No. of Shares (Basic) | 27,71,94,946 | 27,71,94,946 |
| No. of Shares (Diluted) | 27,71,94,946 | 27,71,94,946 |
| EPS (Basic) | 1.11 | 1.35 |
| EPS (Diluted) | 1.11 | 1.35 |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 38 Disclosure as per schedule III of the act and Ind AS-37 on provisions, contingent liabilities and contingent assets :

### 38.1 Movement of provisions during the year 2017-18

*(₹ in Lakhs)*

| | Particulars | Provision for warranties | Provision for excise and customs duty on closing stocks | Contingency provision |
|---|---|---|---|---|
| a) | the carrying amount at the beginning of the period ; | 856.60 | 358.04 | 30.00 |
| b) | (i) additional provisions made in the period, inluding increases to existing provisions ; | 868.41 | - | |
| c) | amounts used (ie incurred and charged against the provision) during the period | - | (358.04) | - |
| d) | unused amounts reversed during the period | (688.52) | - | - |
| e) | the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. | 0.56 | - | - |
| | | | | |
| **f)** | **the carrying amount at the end of the period ;** | **1,037.05** | **-** | **30.00** |

Unused amounts of provision for warranties represents provision reversed from the opening balance (after warranty period). It is expected that provision for warranties will be incurred in the next 12 to 24 months. Actual expenditure incurred during warranty period towards replacements etc. is charged off under respective heads of expenditure.

### 38.2 Contingent liabilities not provided for and commitments:

All known and undisputed claims and liabilities where there is a present obligation as a result of past events and it is probable that there will be an outflow of resources, have been duly provided for. The contingent liabilities and commitments are as under:

*(₹ in Lakhs)*

| Nature of contingent liability | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **i) Contingent liabilities not provided for:**<br>**HBL Power Systems Limited** | | |
| **a) Claims against the Company not acknowledged as debts towards :** | | |
| Excise duty | 658.20 | 658.84 |
| Sales tax | 479.03 | 258.33 |
| Custom duty | 491.70 | 491.70 |
| Income tax | - | 65.08 |
| Property tax | 134.25 | 134.25 |
| Fuel surcharge adjustment (FSA) | 131.67 | 148.16 |
| Enhancement of land cost | 168.44 | 168.44 |
| Erstwhile promoters of SCIL Infracon Pvt Ltd | 188.31 | 188.31 |
| Others | 9.50 | 9.50 |
| | | |
| **SCIL Infracon Private Limited** | | |
| Income tax dispute for Assessment Year 2008-09 | - | 0.34 |
| Erstwhile promoters of Shakti Concrete Industries Limited | 188.31 | 188.31 |
| | | |
| **b) Un-expired guarantees issued on behalf of the Company by banks for which the Company gave counter guarantees** | | |
| HBL Power Systems Limited | 15,030.60 | 14,036.71 |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

*(₹ in Lakhs)*

| Nature of contingent liability | March 31, 2018 | March 31, 2017 |
|---|---|---|
| SCIL Infracon Private Limited | - | 31.62 |
| | | |
| **ii) Commitments:** | | |
| a) Estimated amount of contracts remaining to be executed on capital account and not provided for | 256.51 | 637.73 |
| **b) Other commitments:** | | |
| Legal undertakings (LUTs) given to customs authorities for clearing the imports at nil / concessinal rate of duty | 60.63 | 124.84 |

The Company has other commitments, for purchase / sale orders which are issued after considering requirements per operating cycle for purchase / sale of goods and services, employee benefits in the normal course of business. The Company does not have any long term commitments or material non-cancellable contractual commitments / contracts, which might have material impact on the financial statements.

**38.3 Commitment towards dividend and dividend distribution tax**

The board in its meeting held on May 28, 2018 has recommended a dividend of Re. 0.25 per equity share of Re. 1/- each for the financial year ended March 31, 2018. The proposal is subject to the approval of share holders at the annual general meeting to be held, and if approved would result in a cash outflow of ₹ 692.99 lakhs towards dividend and ₹ 142.45 lakhs towards corporate dividend distribution tax.

**38.4 Contingent assets:**

During the year 2011, some assets at one of the plants of the Company, were damaged due to heavy rains. The Company's claim for the loss was repudiated by the insure ₹ A case was filed for recovery of the claim of ₹ 234.60 lakhs towards loss sufferred apart from interest thereon. The matter is sub judice.

During the year 2014, there was a heavy damage to the assets and inventory at two plants of the Company, due to hud-hud cyclone. The Company's claim for the resultant losses was partly allowed by the Insurers and the balance claims were repudiated. The matter relating to the claim of ₹ 400 lakhs towards damages to assets and inventory and ₹ 921.75 lakhs towards loss of profits, apart from interest thereon, was referred to arbitration. The matter is sub judice.

## Note : 39 Income tax and sales tax assessments:

Taxes due as per returns filed have been paid. The Liability, if any, in respect of pending income / sale tax assessments, that may arise upon completion is not ascertainable at this stage.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 40 Confirmation of balances

The parent Company had sent letters seeking confirmation of balances to various parties under trade payables, trade Receivables, advance to suppliers and others, advance from customers. Based on the confirmations received and upon proper review, corrective actions have been initiated and the amounts have been trued up, accounting adjustments have been made wherever found necessary. Such confirmations are awaited from some parties, comprising of government departments and public sector undertakings, mainly.

## Note : 41

In the opinion of the board, assets other than fixed assets and non-current investments have a value, on realisation in the ordinary course of business, which is at least equal to the amount at which they are stated in the financial statements.

## Note : 42 Disclosures as prescribed by Indian Accounting Standard ( Ind AS )

### 42.1 Disclosure as per Ind AS - 2 - Inventories

During the year ended March 31, 2018, ₹ 151.37 lakhs (March 31, 2017, ₹ 22.64 lakhs) was recognised as an expense in respect of inventories carried at net realisable value in the statement of profit and loss.

### 42.2 Disclosure as per Ind AS -11 - construction contracts

**A)** The parent Company recognised revenue based on percentage completion method whereby stage of completion of a contract is determined with reference to the proportion that contract costs incurred (for work performed up to the reporting date) bear to the estimated total contract cost and wherever applicable after completion of inspection/certification of the work performed by the customers as stipulated in the contract.

**B) In respect of contracts in progress on March 31, 2018.**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Contract revenue recognised in the period | 817.14 | 232.69 |
| b) Aggregate contract costs incurred upto the reporting date. | 3,669.62 | 3,056.69 |
| c) Aggregate amount of recognised profits upto the reporting date. | 298.41 | 3,012.07 |
| d) Amount of advances received from customer outstanding as on date | 166.67 | 166.67 |
| e) Retention amount (amount billed less amount received / advance adjusted) | 504.06 | 385.09 |

### 42.3 Disclosure as per Ind AS -12 - Income Tax

**a) The income tax expense for the year can be reconciled to the accounting profit as follows:**

*(₹ in Lakhs)*

| Particulars | | March 31, 2018 | March 31, 2017 |
|---|---|---|---|
| Profit before tax | | 5,505.86 | 5,434.78 |
| Current tax @ 34.608% | ( A ) | 1,905.00 | 1,880.87 |
| Effect of unused tax losses of subsidiaries / associates | | (21.19) | (89.55) |
| Effect of income exempt / taxed at lower rate | | 472.12 | 472.13 |
| Effect of profit of foreign subsidiaries not liable to Indian tax | | (12.45) | 24.91 |
| Others | | (869.68) | (122.23) |
| **Total** | ( B ) | **(431.20)** | **285.26** |
| **Income tax expense recognised in statement of profit and loss** | ( A - B ) | **2,336.20** | **1,595.61** |

**b) The income tax on other comprehensive income**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Income tax benefit arising on income / (expense) recognised in other comprehensive income** | | |
| Tax on remeasurement of defined benefit plan | 5.34 | 87.68 |
| Others | (44.90) | (31.24) |
| **Income tax benefit recognised in other comprehensive income** | **(39.56)** | **56.45** |

**c) Details of income tax assets and income tax liabilities are as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Advance tax / MAT credit / TDS | 4,697.05 | 2,934.73 |
| Provision for income tax | (4,419.57) | (3,197.45) |
| **Asset / (liability)** | **277.48** | **(262.72)** |

**d) The gross movement in the current income tax asset / (liability ) is as follows:**

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Net current income tax asset / (liability) at the beginning | (262.72) | 801.60 |
| | | |
| Add : income tax paid / adjusted (net of refund received) | 2,840.57 | 908.02 |
| Less : provision for current tax | 2,300.37 | 1,972.33 |
| | | |
| Net current income tax asset / (liability) at the end | 277.48 | (262.72) |

**e) The tax effects of significant temporary differences that resulted in deferred income tax asset and liability are as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Deferred tax liability** | | |
| Property, plant and equipment | 1,662.82 | 1,801.46 |
| | | |
| **Total** | **1,662.82** | **1,801.46** |
| **Deferred tax asset** | | |
| Warranties | - | 295.64 |
| Employee benefits | 73.11 | 79.38 |
| Provision for doubtful debts | 182.04 | 334.31 |
| Other comprehensive income | (44.90) | (31.24) |
| Others | 69.69 | (46.42) |
| **Total** | **279.94** | **631.67** |
| | | |
| **Deferred tax liability after set off of deferred tax asset** | **1,382.88** | **1,169.79** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**f) The gross movement in the deferred income tax account is as follows:**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Net deferred tax liability at the beginning | 1,169.79 | 1,471.19 |
| | | |
| Credit / (charge) relating to temporary differences | 213.09 | (301.40) |
| | | |
| **Net deferred income tax liability at the end** | **1,382.88** | **1,169.79** |

## 42.4 Disclosure as per Ind AS-17 - leases

**a. Finance leases (un-discounted)**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Amount of finance lease | 7.55 | 28.37 |
| Less : lease amount repaid during the period | 7.55 | 20.82 |
| Amount outstanding at the end of the period | **-** | **7.55** |
| Amount payable not later than one year | - | 7.55 |
| Amount payable later than one year and not later than five years | - | - |

**b) Operating lease**

The parent Company had taken office and residential facilities under cancellable operating leases. The rental expenses under such cancellable operating lease for the year ended March 31, 2018 was ₹ 291.42 lakhs ( previous year ₹ 276.63 lakhs)

## 42.5 Disclosure as per Ind AS-19 -Employee Benefits

**a) Defined contribution plan:**

Contribution to defined contribution plan, recognised as expense for the year are as under:

*(₹ in Lakhs)*

| | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Employer's contribution to PF/ESI/ pension plan | 648.77 | 653.94 |

**b) Defined benefit plan:**

**(i) Gratuity obligation of the Company :**

To cover the employer's obligation towards gratuity, under the payment of gratuity act, the Company has taken a group gratuity policy of LIC of India. As per the valuation made under projected unit credit method and demanded by LIC of India, the fund required to be maintained, to cover the present value of past service benefit and current service cost, is fully funded/provided for by the Company. Apart from the said funding, to keep the policy alive, the Company also paid the annual risk premium and recognised it as expense for the year.

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**Assets and liability (balance sheet position)**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation | 1,422.07 | 1,424.30 |
| Fair value of plan assets | 1,319.64 | 1,120.62 |
| Surplus / (deficit) | 102.43 | 303.68 |
| Effects of asset ceiling, if any | - | - |
| Net asset/(liability) | 102.43 | 303.68 |

**Expense recognized during the period**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| In income statement (p&l a/c--expense provision) | 87.00 | 50.32 |
| In other comprehensive income (b/sheet item) | 15.43 | 253.36 |

**Characteristics of defined benefit plan and risks associated with it**

### Actuarial Valuation Method

The valuation has been carried out using the projected unit credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

**The benefits valued**

**The benefit valued in this report are summarised below:**

| | |
|---|---|
| Type of plan | Defined benefit |
| Employer's contribution | 100% |
| Employees' contribution | Nil |
| Salary for calculation of gratuity | Last drawn salary |
| Normal retirement age | 58 |
| Vesting period | 5 Years |
| Benefit on normal retirement | Same as per the provisions of the payment of gratuity act, 1972 (as amended from time to time). |
| Benefit on early retirement / termination / resignation /withdrawal | Same as normal retirement benefit based on the service upto the date of exit. |
| Benefit on death in service | Same as normal retirement benefit and no vesting period condition applies. |
| Limit | ₹ 20,00,000 |
| Gratuity formula | (15/26) x last drawn salary x number of completed years |

### Description of regulatory framework in which plan operates

The payment of gratuity is required by the Payment of Gratuity Act, 1972.

### Description of risk exposures

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

**Interest rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rate will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**Liquidity risk:** This is the risk that the Company is not able to meet the short-term gratuity payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of liquid assets not being sold in time.

**Salary escalation risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Demographic risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (e.g. increase in the maximum limit on gratuity of ₹ 20,00,000).

**Asset liability mismatching or market risk:** The duration of the liabilty is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment risk:** The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

**Effect of any amendments, curtailments and settlements - not applicable in this case.**

**Explanation of amounts in financial statements**

*Changes in the present value of obligation* *(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| **Present value of obligation as at the beginning** | **1,424.30** | 1,240.87 |
| Current service cost | 49.64 | 24.82 |
| Interest expense or cost | 99.70 | 99.27 |
| Actuarial (gains) / loss on obligations | 27.59 | 258.59 |
| Past service cost | - | - |
| Effect of change in foreign exchange rates | - | - |
| Benefits paid | (179.16) | (199.25) |
| Acquisition adjustment | - | - |
| Effect of business combinations or disposals | - | - |
| **Present value of obligation as at the end** | **1,422.07** | 1,424.30 |
| **Bifurcation of net liability** | | |
| Current liability (short term) | 17.09 | 54.44 |
| Non-current liability (long term) | 1,404.98 | 1,369.86 |
| **Net liability** | **1,422.07** | 1,424.30 |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

### Changes in the fair value of plan assets

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Fair value of plan assets as at the beginning | 1120.62 | 977.58 |
| Acquisition adjustment | (16.09) | (5.65) |
| Expected return on plan assets | 78.44 | 78.21 |
| Contributions | 303.68 | 264.50 |
| Benefits paid | (179.16) | (199.25) |
| Actuarial gain/(loss) on plan assets | 12.15 | 5.23 |
| Fair value of plan assets as at the end | 1319.64 | 1120.62 |

### Change in the effect of asset ceiling

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Effect of asset ceiling at the end | nil | nil |
| Interest expense or cost (to the extent not recognised in net interest expense) | | |
| Re-measurement (or actuarial) (gain)/loss arising because of change in effect of asset ceiling | | |
| Effect of asset ceiling at the end | nil | nil |

### Expenses recognised in the income statement

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current service cost | 49.63 | 24.82 |
| Past service cost | 0.00 | 0.00 |
| Expected return on plan assets | (78.44) | (78.21) |
| Interest cost | 99.70 | 99.27 |
| Expenses recognised in the income statement | 70.89 | 45.88 |

### Other comprehensive income

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Actuarial (gains) / losses - change in demographic assumptions | - | 133.67 |
| Actuarial (gains) / losses - change in financial assumptions | (181.24) | 124.92 |
| Actuarial (gains) / losses - experience variance | 208.83 | - |
| Actuarial (gains) / loss on obligations | 27.59 | 258.59 |
| Actuarial (gains) / loss on Plan Assets | 12.16 | 5.23 |
| Total Other Comprehensive Income(OCI) | 15.43 | 253.36 |

Return on plan assets, excluding amount recognised in net interest expense

Re-measurement (or actuarial) (gain)/loss arising because of change in effect of asset ceiling

Components of defined benefit costs recognised in other comprehensive income

**Actuarial assumptions**

I have used actuarial assumptions selected by the Company. The Company has been advised that the assumptions need to be set up based on Para 144 of Ind AS 19.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

### *Financial assumptions*

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Discount rate (per annum) | 7.88% | 7.00% |
| Salary growth rate (per annum) | 4.00% | 4.00% |

### *Demographic assumptions*

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Indian assured lives mortality (2006-08) ult | *100%* | *100%* |
| Attrition rate: | | |
| Age at valuation date / valuation date | **March 31, 2018** | March 31, 2017 |
| 18-30 | 15% | 15% |
| 31-40 | 5% | 5% |
| 41 &+ | 1% | 1% |

**Disability: no explicit allowance**

The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation will lead to an increase in reported cost.

### Table of sample mortality rates from Indian assured lives mortality 2006-08

| Age | Male | Female |
|---|---|---|
| 20 years | 0.089% | 0.089% |
| 25 years | 0.098% | 0.098% |
| 30 years | 0.106% | 0.106% |
| 35 years | 0.128% | 0.128% |
| 40 years | 0.180% | 0.180% |
| 45 years | 0.287% | 0.287% |
| 50 years | 0.495% | 0.495% |
| 55 years | 0.789% | 0.789% |
| 60 years | 1.153% | 1.153% |
| 65 years | 1.700% | 1.700% |
| 70 years | 2.585% | 2.585% |

### Membership status

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Number of employees | 1992 | 2118 |
| Total monthly salary (₹ in lakhs) | 394.81 | 385.12 |
| Average past service (years) | 8 | 8 |
| Average age (years) | 38 | 37 |
| Average remaining working life (years) | 20 | 21 |
| Number of completed years valued | | |
| Decrement adjusted remaining working life (years) | 15.88 | 16.79 |

**Amount, timing and uncertainity of future cash flows**

**Sensitivity analysis**

Significant actuarial assumptions for the detemination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

**Significant actuarial assumptions for the deteminatio**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Defined benefit obligation (base) | 1,422.07 | 1,424.30 |
| **Discount rate:(% change compared to base due to sensitivity)** | | |
| Increase: +1% | 1,304.01 | 1,299.38 |
| Decrease: -1% | 1,558.03 | 1,569.15 |
| **Salary growth rate:(% change compared to base due to sensitivity)** | | |
| Increase: +1% | 1,557.78 | 1,580.92 |
| Decrease: -1% | 1,302.79 | 1,283.66 |
| **Attrition rate:(% change compared to base due to sensitivity)** | | |
| Increase: +50% | 1,471.19 | 1,498.52 |
| Decrease: -50% | 1,363.66 | 1,337.09 |
| **Mortailtiy rate:(% change compared to base due to sensitivity)** | | |
| Increase: +10% | 1,423.82 | 1,425.51 |
| Decrease: -10% | 1,420.31 | 1,423.09 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. There is no change in the method of valuation for the prior period.

**Asset liability matching strategies**

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

**Effect of plan on entity's future cash flows**

**Funding arrangements and funding policy**

The Company has purchased an insurance policy to provide for payment of gratuity to the employees. Every year, the insurance Company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

**Expected contribution during the next annual reporting period**

The Company's best estimate of contribution during the next year remains similar to current year.

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**Maturity profile of defined benefit obligation**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Weighted average duration (based on discounted cashflows) in years | 15.88 | 16.79 |
| **Expected cash flows over the next (valued on undiscounted basis):** | | |
| 1 year | 97.46 | 54.44 |
| 2 to 5 years | 18.72 | 131.24 |
| 6 to 10 years | 575.99 | 495.36 |
| More than 10 years | 2,789.85 | 2,753.71 |

**(ii) Long term compensated absences - leave encashment:**

The present value of obligation for long term compensated absences is determined on actuarial valuation using Projected Unit Credit method (PUC) and is charged to Profit and Loss account. The obligation is not funded.

**Assets and liability (balance sheet position)**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation | 211.26 | 229.38 |
| Fair value of plan assets | - | - |
| Surplus / (deficit) | (211.26) | (229.38) |
| Effects of asset ceiling, if any | - | - |
| Net asset/(liability) | (211.26) | (229.38) |

**Expense recognized during the period**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| In Income statement (P&L--expense provision) | 17.58 | 58.58 |

**Characteristics of defined benefit plan and risks associated with it**

**Actuarial valuation method**

The valuation has been carried out using the projected unit credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

**The benefits valued**

**The benefit valued in this report are summarised below:**

| Type of Plan | Long term benefit |
|---|---|
| Employer's contribution | 100% |
| Employees'contribution | NIL |
| Salary for calculation of leave encashment benefit | Last drawn salary |
| Normal retirement age | 58 |
| Vesting period | Not applicable |
| Benefit on normal retirement | Leave Salary[Gross Salary) subject to a maximum of 30 days' salary |
| Benefit on early retirement / termination / resignation / withdrawal | As above |
| Benefit on death in service | As above |
| Limit | Yes |
| Benefit formula | No. of days' leave encashable x last drawn salary |

**Description of regulatory framework in which plan operates**

The payment of leave encashment benefit is required as per Company's scheme.

**Description of risk exposures**

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

**Interest rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rate will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).

**Liquidity risk:** This is the risk that the Company is not able to meet the short-term benefit payouts. This may arise due to non availabilty of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets not being sold in time.

**Salary escalation risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

**Demographic risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory/contractual risk:** Benefit is paid in accordance with the requirements of the enterprise's scheme (as amended from time to time). There is a risk of change in regulations /rules requiring higher benefit payouts (e.g. increase in the maximum limit on benefit amount).

**Asset liability mismatching or market risk:** The duration of the liabilty is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment risk:** The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

### Changes in the present value of obligation

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Present value of obligation as at the beginning | 220.20 | 203.84 |
| Current service cost | 22.02 | 6.12 |
| Interest expense or cost | 15.41 | 16.31 |
| Actuarial (gain)/ loss on obligations | (19.85) | 36.16 |
| Past service cost | 0.00 | 0.00 |
| Effect of change in foreign exchange rates | 0.00 | 0.00 |
| Benefits paid | (36.03) | (42.22) |
| Acquisition adjustment | 0.00 | 0.00 |
| Effect of business combinations or disposals | 0.00 | 0.00 |
| Present value of obligation as at the end | 201.74 | 220.20 |

### Bifurcation of net liability

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current liability (short term) | - | 6.71 |
| Non-current liability (long term) | 201.74 | 213.48 |
| Net liability | 201.74 | 220.20 |

### Changes in the fair value of plan assets

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| a) Fair value of plan assets at the start: | - | - |
| b) Acquisition adjustments | | |
| c) Expected return on plan assets | | |
| d) Contributions | | |
| e) Benefits paid | (36.03) | (42.22) |
| f) Actuarial gain /( loss) on plan assets | - | - |
| g) Fair value of plan assets as at the end | - | - |

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**Change in the effect of asset ceiling**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Effect of asset ceiling at the beginning | nil | nil |
| Interest expense or cost (to the extent not recognised in net interest expense) | | |
| Re-measurement (or actuarial) (gain)/loss arising because of change in effect of asset ceiling | | |
| Effect of asset ceiling at the end | nil | nil |

**Expenses recognised in the income statement**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Current service cost | 22.02 | 6.12 |
| Past service cost | - | - |
| Expected return on plan assets | - | - |
| Interest cost | 15.41 | 16.31 |
| Net actl. (gain)/ loss recognized in the period: | (19.85) | 36.16 |
| Expenses recognised in the income statement | 17.57 | 58.58 |

Actuarial assumptions The valuation has been carried out using the Projected Unit Credit method as per Ind AS 19 to determine the present value of defined benefit obligations and the related current service cost and, where applicable, past service cost.

**Financial assumptions**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Discount rate (per annum) | 7.88% | 7.00% |
| Salary growth rate (per annum) | 4% | 4.00% |
| Demographic assumptions | | |
| Indian assured lives mortality (2006-08) ult | 100% | 100% |
| **Attrition rate:** | | |
| Age at valuation date / valuation date | | |
| 18-30 | 15.0% | 15.0% |
| 31-40 | 5.0% | 5.0% |
| 41 &+ | 1.0% | 1.0% |
| Disability: no explicit allowance | | |

The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation will lead to an increase in reported cost.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**Table of sample mortality rates from Indian assured lives mortality 2006-08**

| Age | Male | Female |
|---|---|---|
| 20 years | 0.089% | 0.089% |
| 25 years | 0.098% | 0.098% |
| 30 years | 0.106% | 0.106% |
| 35 years | 0.128% | 0.128% |
| 40 years | 0.180% | 0.180% |
| 45 years | 0.287% | 0.287% |
| 50 years | 0.495% | 0.495% |
| 55 years | 0.789% | 0.789% |
| 60 years | 1.153% | 1.153% |
| 65 years | 1.700% | 1.700% |
| 70 years | 2.585% | 2.585% |

**Membership status**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Number of employees | 1992 | 2118 |
| Total monthly salary ( in lakhs) | 394.81 | 385.12 |
| Average past service (years) | 8 | 8 |
| Average age (years) | 38 | 37 |
| Average remaining working life (years) | 20 | 21 |
| Number of completed years valued | 0 | 0 |
| Decrement adjusted remaining working life (years) | 15.88 | 16.07 |

### 42.6 Disclosure as per Ind AS -21 - The Effects of changes in foreign exchange rates

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Exchange differences arising out of settlement / translation on account of : | | |
| a) Exports | 573.82 | (231.45) |
| b) Imports | 267.86 | 817.71 |
| c) Others | (0.14) | 24.98 |
| Net gain (loss) recognised during the year | **841.54** | **611.24** |

### 42.7 Disclosure as per Ind AS– 24 - Related party disclosures

| | | |
|---|---|---|
| 1 | Joint arrangement | Gulf Batteries Company Limited, Kingdom of Saudi Arabia |
| 2 | Associate / Directors' interested Companies | Naval Systems & Technologies Private Limited<br>Guided Missile Engineering India Private Limited |
| 3 | Designated Partners' of LLP interested Company | Secure Power India Private Limited |
| 4 | Investors of subsidiaries | Shakti Concrete Industries Limited (SCIL) |
| 5 | Partners of joint venture Company | Abdullah Hamoud Al Shuwayer Sons Trading Company<br>Advance Electronic Company Limited |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

| | | | |
|---|---|---|---|
| | Key Management Personnel | Dr A J Prasad | Chairman & managing director |
| | | M S S Srinath | Whole time director |
| | | Kavita Prasad | Chief financial officer |
| | | M V S S Kumar | Company secretary |
| | | K. Surendra Babu | Director of SCIL Infracon Private Limited |
| | | K. Gyan Sagar | Director of SCIL and former Promoter |
| | | Deepa Shashidhar Kuckian | Designated Partner of LLP |
| | | Cmde. Arvind Sharma (Retd.) | CEO / Director of Associate Company |
| | | **Non-Executive Directors** | |
| | | K Venkat Sriram | Independent Director |
| | | Richa Datta | Independent Director |
| | | P. Ganapathi Rao | Independent Director |
| | | Preeti Khandelwal | Independent Director |
| | | Ajay Bhaskar Limaye | Non- Executive Director |
| | | Mitin Jain | Non- Executive Director |

**Disclosure of transactions with related parties and the status of outstanding balances.**

*(₹ in Lakhs)*

| Sl.No | Name | Nature of transaction | Transactions during the year | March 31, 2018 | |
|---|---|---|---|---|---|
| | | | | Gross trade receivables ( un-secured ) | Gross trade payables |
| 1 | Joint venture | Sale of goods | 257.22 | 525.64 | |
| | | | (87.95) | (536.84) | |
| 2 | Designated partners of LLP interested Company | Advance for capital purchase | - | - | |
| 3 | Key Management Personnel | Funds borrowed | - | - | 711.00 |
| | | Remuneration paid | 229.71 | | (721.00) |
| | | | (239.88) | | |
| | | Commission on profits | 191.27 | | |
| | | | (156.53) | | 266.56 |
| | | Rent paid | 7.03 | | (230.33) |
| | | | (6.39) | | |
| | | Interest paid | 75.43 | | |
| | | | (79.31) | | |
| | | Purchase of assets | 42.00 | | |
| | | | (-) | | |
| | | Sitting fee paid to Non-Executive Directors | 3.70 | | |
| | | | (2.30 | | |

Against the above gross trade receivables the Company had made a provision for doubtful debts of ₹ 526 lakhs for joint arrangement.

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

### 42.8 Disclosure as per Ind AS-108 - Operating Segments

The Company's operations include batteries of different types, electronics, railway signalling contracts etc. Except for batteries and electronics, the segment revenue, segment results and segment assets and liabilities of other activities are individually below the threshold limit set out in paragraph 27 of Ind AS 108. Accordingly, batteries and electronics segments are shown separately as reportable segments and others are included in un-allocated segment.

1) Business segments: batteries and electronics segments have been considered as primary business segements for reporting under Ind AS 108 - operating segments issued by Ministry of Corporate Affairs. .

2) In the opinion of the management the other segments being railway signalling contracts and others are not reportable business segments of the Company as per paragraph 27 of Ind AS 108 - operating segments

(₹ *in Lakhs)*

| Particulars | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| ***Segment revenue*** | | | | |
| **Batteries** | | | | |
| Exports | 15,196.29 | | 9,655.04 | |
| Domestic sales | 1,19,201.37 | 1,34,397.66 | 1,18,151.37 | 1,27,806.41 |
| | | | | |
| **Electronics** | | | | |
| Exports | 1,540.84 | | 1,841.81 | |
| Domestic sales | 13,378.14 | 14,918.98 | 14,480.87 | 16,322.68 |
| **Unallocated** | | | | |
| Exports | 20.86 | | 61.15 | |
| Domestic sales | 14,508.55 | 14,529.41 | 9,609.47 | 9,670.62 |
| | | | | |
| *Total* | | 1,63,846.05 | | 1,53,799.71 |
| Less : Inter-segment revenue | | 426.32 | | 88.91 |
| **Net revenue** | | **1,63,419.73** | | **1,53,710.80** |
| | | | | |
| **Identifiable operating expenses** | | | | |
| Batteries | 1,14,630.56 | | 1,01,039.63 | |
| Electronics | 12,376.33 | | 13,758.50 | |
| Unallocated | 15,119.49 | 1,42,126.38 | 7,203.87 | 1,22,002.00 |
| **Allocated expenses** | | | | |
| Batteries | 3,673.55 | | 10,154.15 | |
| Electronics | 852.06 | | 3,322.70 | |
| Unallocated | 4,110.09 | 8,635.70 | 6,490.71 | 19,967.56 |
| | | | | |
| **Segment operating income** | | **12,657.66** | | **11,741.24** |
| Unallocable expenses | | 4,680.85 | | 3,730.77 |
| | | | | |
| **Operating profit** | | **7,976.81** | | **8,010.47** |
| Other income | | 23,74.46 | | 1,763.59 |
| | | | | |

(₹ in Lakhs)

| Particulars | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| **Profit before interest and exceptional items** | | **10,351.27** | | **9,774.06** |
| Exceptional items - (income)/expenses | | 989.78 | | (250.19) |
| Interest Expenses | | 4,066.57 | | 4,626.82 |
| | | (210.93) | | (37.17) |
| **Profit before Income taxes** | | **5,505.85** | | **5,434.59** |
| Income tax expenses | | 2,336.20 | | 1,595.42 |
| **Net profit** | | **3,169.65** | | **3,839.17** |
| | | | | |
| ***Segment depreciation(including amortisation of intangible assets )*** | | | | |
| Batteries | | 3,187.72 | | 3,472.62 |
| Electronics | | 450.99 | | 446.43 |
| Unallocated | | 977.83 | | 930.63 |
| **Total** | | **4,616.54** | | **4,849.68** |
| **Segment assets** | | | | |
| Batteries | | 91,331.36 | | 1,02,344.86 |
| Electronics | | 14,866.16 | | 18,315.52 |
| Unallocated | | 27,954.43 | | 25,991.76 |
| **Total Assets** | **Total Assets** | **1,34,151.95** | | **1,46,652.14** |
| **Segment liabilities** | | | | |
| Batteries | | 14,060.64 | | 15,912.38 |
| Electronics | | 3,414.97 | | 4,556.84 |
| Unallocated (includes term loans,bank loans,hire purchase loans) | | 41,675.59 | | 53,425.46 |
| **Total Liabilities** | **Total Liabilities** | **59,151.20** | | **73,894.68** |

### 42.91 Financial instruments

### A) Capital management

The group manages its Capital structure and make adjustments to it, in light of changes in economic condition. To mainintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholder, or issue new shares. No changes were made in the objectives, policies and procedures in the past three years.

The group monitors capital using a Gearing Ratio, which is net debt divided by total capital plus net debt. The group includes within net debt, borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes issued equity capital, share premium account and all other equity reserves attributable to the equity holders.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**Financial instruments by category**

**The carrying and fair value of financial instruments by categories as of March 31, 2018 were as follows:** *(₹ in Lakhs)*

| Particulars | March 31, 2018 | | | March 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Amortised cost | Total carrying value | Total fair value | Amortised cost | Total carrying value | Total fair value |
| **Assets :** | | | | | | |
| Cash and cash equivalents | 721.76 | 721.76 | 721.76 | 592.39 | 592.39 | 592.39 |
| Other bank balances | 1,302.34 | 1,302.34 | 1,302.34 | 1,976.67 | 1,976.67 | 1,976.67 |
| Investments in others | 2.10 | 2.10 | 2.10 | 1.40 | 1.40 | 1.40 |
| Trade receivables | 45,317.59 | 45,317.59 | 45,317.59 | 47,103.37 | 47,103.37 | 47,103.37 |
| **Total** | **51,741.53** | **51,741.53** | **51,741.53** | **53,255.78** | **53,255.78** | **53,255.78** |
| | | | | | | |
| **Liabilities :** | | | | | | |
| Trade payables | 12,564.93 | 12,564.93 | 12,564.93 | 16,396.54 | 16,396.54 | 16,396.54 |
| Borrowings | 36,627.95 | 36,627.95 | 36,627.95 | 47,903.00 | 47,903.00 | 47,903.00 |
| Other financial liabilities | 4,414.41 | 4,414.41 | 4,414.41 | 2,923.61 | 2,923.61 | 2,923.61 |
| **Total** | **53,607.29** | **53,607.29** | **53,607.29** | **67,223.16** | **67,223.16** | **67,223.16** |

## B) Financial risk management

**Financial risk factors**

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include market risk, credit risk and liquidity risk. The management reviews and designs policies and procedures to minimise potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company's exposure to credit risk is influenced mainly by the customer repayments. The Company's exposure to liquidity risks are on account of interest rate risk on borrowings. The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the management thereof.

**Market risk**

The Company operates internationally and a portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services in those countires. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are affected as the rupee appreciates/ depreciates against these currencies. The Company leaves exchange rate risk with regard to foreign exposures unhedged when the local currency is depreciating against the foreign currency and hedges this risk when the local currency is appreciating against the foreign currency. Currently the foreign exchange risk of the Company is covered through natural hedge and the company uses the foreign currency denominated accounts to mitigate the exchange rate variation.

**The following table analyzes foreign currency risk from financial instruments as of March 31, 2018 :** *(₹ in Lakhs)*

| Particulars | U.S.dollars | Euro | GBP | JPY | AED | Total |
|---|---|---|---|---|---|---|
| *Trade receivables* | 74.29 | 37.32 | 0.42 | - | - | 112.03 |
| Other financial assets | - | - | | - | - | - |
| Trade payables | (20.34) | (1.12) | (0.28) | - | (0.02) | (21.76) |
| Other financial liabilities | (1.45) | (0.46) | - | - | - | (1.91) |
| **Net assets/(liabilities)** | **52.50** | **35.74** | **0.14** | **-** | **(0.02)** | **88.36** |

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

**The following table analyzes foreign currency risk from financial instruments as of March 31, 2017 :**

*(₹ in Lakhs)*

| Particulars | U.S.dollars | Euro | GBP | JPY | AED | Total |
|---|---|---|---|---|---|---|
| *Trade receivables* | 61.39 | 39.29 | 0.60 | - | - | 101.28 |
| Other financial assets | - | - | - | - | - | - |
| Trade payables | (36.37) | (4.85) | (0.18) | (4.46) | (0.67) | (46.53) |
| Other financial liabilities | - | - | - | - | - | - |
| **Net assets/(liabilities)** | **25.02** | **34.44** | **0.42** | **(4.46)** | **(0.67)** | **54.75** |

For the year ended March 31, 2018 and March 31, 2017, the depreciation / appreciation in the exchange rate between the Indian rupee and respective unhedged foreign currency exposures, has resulted in incremental operating margins by approximate ₹ 841.54 lakhs and ₹ 611.24 lakhs respectively.

**Credit risk**

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 45,317.59 lakhs and ₹ 47,103.87 lakhs as of March 31, 2018 and March 31, 2017, respectively . Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India and overseas. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. 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 trade receivables. The provision matrix takes into account available external and internal credit risk factors and the Company's historical experience with customers.

**The following table gives details in respect of percentage of revenues generated from top customer and top five customers :**

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| *Revenue from top customer* | 16.94% | 6.95% |
| Revenue from top five customers | 35.56% | 21.79% |

**Credit risk exposure**

The allowance for lifetime expected credit loss on customer balances for the year ended March 31, 2018 was ₹ 176.80 Lakhs. The allowance for lifetime expected credit loss on customer balances for the year ended March 31, 2017 was ₹ 350 Lakhs.

*(₹ in Lakhs)*

| Particulars | March 31, 2018 | March 31, 2017 |
|---|---|---|
| Balance at the beginning | 546.00 | 196.00 |
| Impairment loss recognised/reversed | 176.80 | 350.00 |
| Amounts written off | (170.17) | - |
| **Balance at the end** | **552.63** | **546.00** |

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies with no history of default.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

**Liquidity risk**

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company also has long term and short term borrowings from banks and financial institutions. Term loans are project specific and for refinancing of capital expenditures. Short term loans repayable on demand from banks are obtained for the working capital requirements of the Company.

As of March 31, 2018, the Company had a working capital of ₹ 34,187.98 lakhs including cash and cash equivalents of ₹ 721.76 lakhs . As of March 31, 2017, the Company had a working capital of ₹ 28,162.91 lakhs including cash and cash equivalents of ₹ 592.39 lakhs

As of March 31, 2018 and March 31, 2017, the outstanding gratuity and compensated absences were ₹ 313.69 lakhs and ₹ 533.06 lakhs, respectively, which have been substantially funded. Accordingly, no liquidity risk is perceived.

**Interest Rate risk**

The interest rate risk is the risk that the fair value or the future cash flows of the company's financial instruments will fluctuate because of the change in market ineterest rates. The Company is exposed to interest rate risks as it has significant interest bearing loans from banks and financial institutions. These fluctuations are managed through negotiated and prefixed interest rates on term loans enabling the management to plan its future financial commitments and exposures. Short term loans repayable on demand are subject to prevailing market rate fluctuations and sanctioned facilities are availed on a need to borrow basis to ensure minimum exposure to interest rate fluctuations.

**The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2018 :**

*(₹ in Lakhs)*

| Particulars | < 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Trade payables | 12,564.93 | - | - | 12,564.93 |
| Long term borrowings | 2,229.45 | 578.68 | - | 2,808.13 |
| Short term borrowings | 33,819.82 | - | - | 33,819.82 |
| other financial liabilities (excluding borrowings from banks and financial institutions) | 4,414.41 | - | - | 4,414.41 |

**The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2017 :**

*(₹ in Lakhs)*

| Particulars | < 1 year | 1-2 years | 2-3 years | Total |
|---|---|---|---|---|
| Trade payables | 16,396.55 | - | - | 16,396.55 |
| Long term borrowings | 2,085.38 | 2,172.61 | 635.86 | 4,893.85 |
| Short term borrowings | 43,009.14 | - | - | 43,009.14 |
| Other financial liabilities (excluding borrowings from banks and financial institutions) | 2,894.31 | - | 29.30 | 2,923.61 |

## Note : 43 Disclosures relating to Corporate Social Responsibility (CSR)

As per section 135 of the companies act, 2013, a Company, meeting the applicability threshold, needs to spend atleast two percent of its average net profits for the immediately preceding three years, on corporate social responsibility (CSR ) activities. The areas for CSR activities are eradication of hunger and malnutrition, promotion of education, art and culture, health care, destitute care and rehabilitation, environment sustainability, disaster relief and rural development projects. A CSR committee has been formed by the Company as per the Act. The funds were utilized through the year on these activities which are specified in schedule VII of the Companies Act, 2013.

a) Gross amount required to be spent by the Company during the year ₹ 88.76 lakhs

**b) The details of amounts spent during the year on CSR activities are as follows:**

*(₹ in Lakhs)*

| | |
|---|---|
| i) Promotion of education of children | 32.42 |
| ii) Eradication of malnutrition | 32.00 |
| iii) Health care | 22.78 |
| iv) Contribution to eligible orphanages/oldage homes | 6.84 |
| **Total** | **94.04** |

## Note : 44

**a) Subsidiary Companies, associate Company and joint venture Company considered in the preparation of the CFS.**

*(₹ in Lakhs)*

| Name of entity | Principal place of business | Country of incorporation | Ownership Interest &voting right | |
|---|---|---|---|---|
| Considered for CFS: | | | March 31, 2018 | March 31, 2017 |
| **Subsidiary Companies** | | | | |
| HBL Germany GMBH | Zwickau | Germany | 100% | 100% |
| SCIL Infracon Private Limited | Hyderabad | India | 100% | 100% |
| HBL America Inc. | Connecticut | U.S.A. | 100% | 100% |
| HBL Suntech LLP | Hyderabad | India | 60% | 60% |
| **Associate Company** | | | | |
| Naval Systems & Technologies Private Limited | Hyderabad | India | 41% | 41% |
| **Not Considered for CFS (refer note 44(b) below):** | | | | |
| **Controlled Company** | | | | |
| Kairos Engineering Limited | Hyderabad | India | 46.70% | 46.70% |
| **Joint venture Company** | | | | |
| Gulf Batteries Company Limited | Dammam | Kingdom of Saudi Arabia | 40% | 40% |

**b) Change in the Group Composition :**

i) The Company's controlled entity, Kairos Engineering Limited had filed for voluntary liquidation. The parent company's investment in the entity had been fully provided for. In view of the foregoing, it has not been considered for consolidation as at March 31, 2018.

ii) The group had a 40% interest in the joint venture entity, Gulf Batteries Company Limited, which was involved in the manufacture of some of the group's main product lines outside India. Up to the previous year the group's interest in the enity had been accounted for using the equity method in the consolidated financial statements. However, for the current year the financial statements and information of the JV Company remained inaccessible to the parent Company. Further, due to subsistence of disputes with JV Company, the parent company filed a case for liquidation of the JV Company during the current year. In view of the foregoing, the effective date for loss of control over the JV Company, is reckoned as April 1, 2017. The parent company has fully provided for the value of the investment in the said entity. Consequently, the entity had not been considered for consolidation as at March 31,2018.

# Notes forming part of the consolidated financial statements

for the year ended March 31, 2018

## Note : 45

Additional information as required by Paragraph 2 of the General Instruction for preparation of CFS to Schedule III to the Companies Act, 2013 is attached.

*(₹ in Lakhs)*

| | Name of the Entity | Net Assets i.e. total asset less total liabilities | | Share in Profit/ (Loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|---|
| | | As % of Consolidated Net Assets | Amount (in Lakhs) | As % of Consolidated Profit or (Loss) | Amount (in Lakhs) | As % of other comprehens-ive income | Amount (in Lakhs) | As % of total comprehens-ive income | Amount (in Lakhs) |
| Parent | **HBL Power Systems Limited** | 104.94% | 78,707.80 | 95.30% | 3,014.74 | 10.64% | (10.10) | 97.92% | 3,004.64 |
| | | | | | | | | | |
| Subsidiaries | **Indian** | | | | | | | | |
| | SCIL Infracon Private Limited | -1.42% | (1,062.41) | -0.87% | (27.65) | 0.00% | - | -0.90% | (27.65) |
| | HBL Suntech LLP | -0.35% | (264.10) | -0.44% | (13.86) | 0.00% | - | -0.45% | (13.86) |
| | Kairos Engineering Limited | 0.02% | 11.84 | | - | | - | | - |
| | | | | | | | | | |
| | **Foreign** | | | | | | | | |
| | HBL Germany GMBH | -1.04% | (780.54) | 1.96% | 61.88 | 87.31% | (82.89) | -0.68% | (21.01) |
| | HBL America Inc. | -1.27% | (951.45) | -0.57% | (18.12) | 2.05% | (1.95) | -0.65% | (20.08) |
| | | | | | | | | | |
| | Non- Controlling Interest in all subsidiaries | -0.22% | (168.17) | -0.20% | (6.30) | 0.00% | - | -0.21% | (6.30) |
| | | | | | | | | | |
| Associates * | **Indian** | | | | | | | | |
| | Naval Systems & Technologies Private Limited | 0.62% | 467.03 | 4.83% | 152.66 | 0.00% | - | 4.98% | 152.66 |
| | | | | | | | | | |
| Joint Venture* | **Foreign** | | | | | | | | |
| | Gulf Batteries Company Limited | -1.28% | (959.26) | 0.00% | - | 0.00% | - | 0.00% | 0.01 |
| | | | | | | | | | |
| | **Total** | **100%** | **75,000.74** | **100%** | **3,163.35** | **100%** | **(94.94)** | **100%** | **3,068.41** |

*** Investments as per Equity method**

# Notes forming part of the consolidated financial statements
for the year ended March 31, 2018

## Note : 46

Form AOC -1 as required under Section 129 (3) of the Companies Act, 2013, read with rule 5 of Companies (Accounts) Rules, 2014 is attached.

## Note : 47

Previous years figures as per Previous GAAP have been regrouped / reclassified wherever necessary to correspond with the current year Classifications / disclosures.

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

**Anirban Pal**
*Partner*
M.No: 214919

Place : Hyderabad
Date : August 10, 2018

On behalf of the board

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

# HBL POWER SYSTEMS LIMITED

Referred to in Note No. 46

AOC-I : Statement containing salient features of the financial statement of subsidiaries/associate companies/joint venture (Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014).

**Part " A" : Subsidiaries**

| Sl.No. | Name of Subsidiary Company | Reporting Period | Reporting Currency | Exchange Rate on the last date of the Financial Year | Share Capital | Other Equity | Total Assets (excluding investment) | Total Liabilities | Investments | Turnover | Profit Before Taxation | Provision for Tax & Def. Tax | Profit After Taxation | Dividend proposed | % of Share Holding |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1) | SCIL Infra Con (P) Ltd (Subsidiary Company) | 31.03.2018 | INR | - | 1000.00 | (801.77) | 259.24 | 61.01 | - | - | (27.65) | - | (27.65) | - | 100 |
| 2) | HBL Suntech LLP (Subsidiary Company) | 31.03.2018 | INR | - | 18.30 | (420.43) | 0.56 | 402.69 | - | - | (13.93) | (0.07) | (13.86) | - | 60 |
| 3) | HBL Germany, GmBH (Subsidiary Company) | 31.03.2018 | EURO | 69.25 | 14.92 | (793.85) | 2038.00 | 2816.94 | - | 4033.10 | (19.97) | 52.45 | (72.42) | - | 100 |
| 4) | HBL America (Subsidiary Company) | 31.03.2018 | USD | 65.04 | 323.02 | (971.06) | 803.41 | 1451.45 | - | 1996.43 | (108.05) | 0.26 | (108.31) | - | 100 |

**Part " B" : Associate**

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies.**

| Sl No | Name of the Company | Naval Systems & Technologies Pvt Ltd |
|---|---|---|
| 1 | **Latest Audited Balance Sheet Date** | 31.03.2018 |
| | | |
| 2 | Shares held by the company at the year end | |
| | Number of Shares | 41000 |
| | Amount of Investment ( ₹ in Lakhs) | 4.10 |
| | Extent of Holding % | 41 |
| 3 | Description of how there is significant influence | Common Directors |
| 4 | Networth attributable to Shareholding as per latest audited Balance Sheet | 471.13 |
| 5 | Profit/(Loss) for the year | 514.46 |
| | i. Considered in Consolidation | 210.93 |
| | i. Not Considered in Consolidation | 303.53 |

As per our report of even date annexed

for **Rao & Kumar**
*Chartered Accountants*
FRN No. 03089 S

On behalf of the board

**Anirban Pal**
*Partner*
M.No: 214919

**Dr A J Prasad**
*Chairman & Managing Director*

**M S S Srinath**
*Director*

Place : Hyderabad
Date : August 10, 2018

**Kavita Prasad**
*Chief Financial Officer*

**M V S S Kumar**
*Company Secretary*

**HBL POWER SYSTEMS LIMITED**
**CIN: L40109TG1986PLC006745**
Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500034
Phone No. 040-23355575, Fax: 040-23355048, e-mail: investor@hbl.in

## ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING. NO ATTENDANCE SLIP WILL BE ISSUED AT THE MEETING VENUE.

| | |
|---|---|
| Folio No. / DP ID No. / Client ID No. | |
| Name and registered address of the member | |
| Name(s) of the Joint Holder(s) if any | |
| Number of Shares held | |
| Full Name of the Proxy (IN BLOCK LETTERS) | |

I hereby record my presence at the 32nd Annual General Meeting of the Company held at KLN Prasad Auditorium, Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 at 4.00 p.m. on Thursday, September 27, 2018.

NAME OF THE PROXY IN BLOCK LETTERS

SIGNATURE OF THE SHAREHOLDER/PROXY*

* Strike off whichever is not applicable

1. Members are requested to handover the attendance slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members/Proxy holders are requested to bring their copies of the Annual Report to the AGM.
2. Only members/representatives of the corporate members or proxies are allowed to attend the AGM. Bodies Corporate, whether a company or not, who are members, may attend through their authorised representatives appointed under Section 113 of the Companies Act, 2013 (Act). A copy of authorisation should be deposited with the Company.

# Route map to the meeting venue

**HBL**®

## HBL POWER SYSTEMS LIMITED

CIN: L40109TG1986PLC006745
Regd. Office: 8-2-601, Road No.10, Banjara Hills, Hyderabad-500034
Ph No. +91-040-23355575, Fax: +91-040-23355048, e-mail: investor@hbl.in

| PROXY FORM - FORM MGT – 11 |
|---|
| 32nd Annual general Meeting<br>27th September 2018 |

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**Name of the member(s)** :
**Residential Address** :
**E-mail ID** :
**Folio/DP-ID-Client ID** :

I/We ______________________________________________ being a member(s) of above mentioned Company, hereby appoint:

1. Name ______________Address______________________ email ID__________ ____________Signature______________or failing him/her,
2. Name ______________ Address______________________ email ID__________ ____________Signature______________or failing him/her,
3. Name ______________ Address______________________ email ID__________ ____________Signature______________or failing him/her, as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Thursday, September 27, 2018 at 4.00 p.m. at KLN Prasad Auditorium, Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Subject matter of the Resolution | Optional* | |
|---|---|---|---|
| **ORIDINARY BUSINESS** | | **FOR** | **AGAINST** |
| 1 | Receive, consider and adopt the audited financial statements (standalone and consolidated) of the Company for the financial year ended March 31, 2018 together with the reports of the Board of Directors and Auditors thereon. | | |
| 2 | Declaration of dividend for the year ended March 31, 2018 | | |
| 3 | Appointment a director in place of Mr. MSS Srinath who retires by rotation and is eligible for re-appointment. | | |
| 4 | Appointment of auditors for the year 2018-19 till the conclusion of the next Annual General Meeting (AGM) and to authorize the Board to fix their remuneration. | | |
| **SPECIAL BUSINESS** | | | |
| 5 | Approval of charges for service of documents on the Members through a particular mode | | |
| 6 | Appointment of Mr. Karipineni Venkata Sriram as an Independent Director | | |
| 7 | Appointment of Mrs. Richa Datta as an Independent Director | | |
| 8 | Appointment of Mr. Madireddi Chandra Mohan as an Independent Director | | |
| 9 | Appointment of Mr. Abhishek G Poddar as a Director | | |
| 10 | Appointment of Mrs. Kavita Prasad as a Director | | |
| 11 | Appointment of Mrs. Kavita Prasad, Chief Financial Officer (CFO) as a Whole-Time-Director | | |
| 12 | Approval to borrow in excess of the paid-up capital and free reserves | | |
| 13 | Authority under Section 180(1)(a) of the Companies Act, 2013 to sell, lease or otherwise dispose off, to mortgage/ create charges on the properties of the Company | | |

Signed this ...................................... day of ............................ 2018.

| Signature of the member | Signature of the Proxy Holder(s) | Affix Re.1 Revenue Stamp |
|---|---|---|

**NOTE:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the resolutions, explanatory statement and notes please refer to the notice of the annual general meeting.

*3. It is optional to put a 'X' in the appropriate column against the Resolution indicated in the Box. If you leave the 'For' and 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she think appropriate.

4. Please complete all details including detail of member(s) in above box before submission.

To

M/S Karvy Computershare Private Limited
**Unit : HBL Power Systems Limited**
Karvy Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032

Dear Sir,

Sub: e-mail address Registration

With reference to the subject, I would like to register my e-mail address to receive all communication from the Company including notice of AGM and notices of other general meetings and explanatory statement(s) thereto, Financial Statements, Reports of the Director's and Auditors etc. or any other Communication from the Company. Therefore, please register my following e-mail address in your records for sending communication through e-mail:

| | |
|---|---|
| Folio No. / DP ID & Client ID | |
| Name of first Registered Holder | |
| Name of Joint Holder(s), if any | |
| Registered Address | ______<br>______<br>______ |
| E-mail ID (to be registered) | |
| Contact details | Mobile : ______<br>Landline: ______ |

Signature:

Place:

Date:

*Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address.*

# Notes

# Notes

# Forward-looking statements

This document contains statements about expected future events and financial and operating results of HBL Power Systems Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward- looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the HBL Power Systems Limited Annual Report 2017-18.

BOOK - POST

*If undelivered, please return to :*

HBL®

**HBL Power Systems Limited**

# 8-2-601, Road No.10, Banjara Hills, Hyderabad - 500034, Telangana, INDIA