



## GOEL KUSHWAHA AND ASSOCIATES

CHARTERED ACCOUNTANTS

46, D.D.A, Janta Flats, Mianwali Nagar  
Paschim Vihar, New Delhi-110087

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### Independent Auditor's Report

To the Members of  
**V2 SMART MANUFACTURING PRIVATE LIMITED**

#### Report on the Financial Statements

We have audited the accompanying Standalone financial statements of **M/S V2 SMART MANUFACTURING PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (statement of change in equity) and Cash Flow Statement for the year then ended, and note to financial statements, including summary of significant accounting policies and other explanatory information.

#### Responsibility of Management for the Standalone Financial Statements

The company's Board of directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 (" the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance (change in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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



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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these standalone 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 there-under.

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal financial control relevant to the Company's preparation of the standalone 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 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 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 financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its Profit/loss including other, its cash flows for the year ended on that date.

### **Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors Report), Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that :
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors, as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) Our Report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 is given as **Annexure-B** to this Report.
- 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, in our opinion and to the best of our information and according to the explanations given to us:
- i) The Company has no Contingent Liabilities of its financial statements.
- ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii) There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company.

For and on behalf of  
**GOEL KUSHWAHA AND ASSOCIATES**  
CHARTERED ACCOUNTANTS  
Firm Registration No: 032095N



CA TARUN GOEL  
(PARTNER)  
MEMBERSHIP NO.:- 536085  
UDIN: 20536085AAAAAE3553  
Place: New Delhi  
Dated: 25-06-2020

## Annexure-A to the Independent Auditors' Report

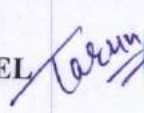
(Referred to in paragraph 1 under Report on other Legal & Regulatory requirements' of our Report of even date) to the members of V2 SMART MANUFACTURING PRIVATE LIMITED on the Financial Statements for the year ended 31<sup>st</sup> March 2020.

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified during the year by the Management in accordance with a phased programme of verification to cover the all the fixe assets over a period, which, in our opinion, provides for physical verification of the fixed assets at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of records, the title deeds of immovable properties are held in the name of Company
- ii. As explained to us, the inventories have been physically verified by the Management at regular intervals during the year. No material discrepancies were noticed on such verification as compared to book records.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 as per information and explanations given to us. Consequently the provisions of clauses 3(iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, in respect of loans, investments, guarantees and security provisions of section 185 and 186 of The Companies Act, 2013 have been complied with.
- v. As the company has not accepted any deposits from the public, the provisions of clause 3 (v) of the Order are not applicable.
- vi. The Central Government has not prescribed maintenance of cost records under Section 148 (1) of The Companies Act, 2013 and the rules framed there-under.
- vii. a) According to the information and explanations given to us and the records of the company examined by us, the company has been generally regular in depositing undisputed statutory dues, including Income Tax, Sales Tax, Service Tax and other statutory dues to the appropriate authorities during the year. In respect of Service Tax, Sales Tax, Excise duty and Tax deducted at source , Company has not been deposited Provident Fund (PF) amounting to INR 1.45/- (In Lakh) & ESIC amounting to INR 0.68/- (In Lakh) and that there are no undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they become payable.
- b) According to the information and explanations given to us, there are no dues in respect of income tax, sales tax, service tax, duty of custom, duty of excise, value added tax and cess that have not been deposited with the appropriate authorities on account of any dispute.



- viii. According to the records of the Company examined by us and on the basis of information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions and Government. There are no dues to financial institution. The company has not obtained any borrowings by way of debentures.
- ix. In our opinion and according to the information and explanations given to us, The company has not raised any monies by way of initial public offer or further public offer (including debt instruments) and term loans.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with SCHEDULE V of Companies Act.
- xii. In our opinion and according to the information and explanations given to us, the provisions of clause (xii) of the Order relating to Nidhi Companies is not applicable to the company.
- xiii. In our opinion and according to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of The Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- xiv. In our opinion and according to the information and explanations given to us, the Company has not made preferential allotment or private placement of shares or fully during the year under review hence reporting requirement under clause 3(xiv) are not applicable to the company and hence not commented upon.
- xv. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them as referred in Section 192 of the Companies Act 2013.
- xvi. In our opinion and according to the information and explanations given to us, the Company is not required to be registered under section 45-1A of The Reserve Bank of India Act, 1934.

**For and on behalf of**  
**GOEL KUSHWAHA AND ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
**Firm Registration No: 032095N**

**CA TARUN GOEL**   
**(PARTNER)**  
**MEMBERSHIP NO.:- 536085**  
**UDIN: 20536085AAAAAE3553**  
Place: New Delhi  
Dated: 25/06/2020



**ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF V2 SMART MANUFACTURING PRIVATE LIMITED**

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

To the Members of **V2 SMART MANUFACTURING PRIVATE LIMITED**.

We have audited the internal financial controls over financial reporting of **V2 SMART MANUFACTURING PRIVATE LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the 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 the 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.

**Auditor's 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 as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, 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.

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 judgment, 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 audit opinion on the internal financial controls system over financial reporting.

### **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**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, 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.

**For and on behalf of**  
**GOEL KUSHWAHA AND ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
**Firm Registration No: 032095N**



**CA TARUN GOEL**  
**(PARTNER)**  
**MEMBERSHIP NO.:- 536085**  
**UDIN: 20536085AAAAAE3553**  
Place: New Delhi  
Dated: 25-06-2020

V2 SMART MANUFACTURING PRIVATE LIMITED  
Balance Sheet as at 31 March 2020  
(All amounts in ₹ in lakh unless otherwise stated)

|  | Note | As at<br>31 March 2020 |
|--|------|------------------------|
| <b>ASSETS</b>  |      |                        |
| <b>Non-current assets</b>  |      |                        |
| Property, plant and equipment  | 2    | 333.55                 |
| Right of use assets (ROU)  | 3    | 593.13                 |
| Financial assets   |      |                        |
| Loans  | 4    | 14.40                  |
| Other financial assets   | 5    | 1,048.45               |
| Deferred tax assets (net)  | 6    | 29.86                  |
| Income tax assets (net)  | 7    | 2.05                   |
| <b>Total non-current assets</b>  |      | <b>2,021.44</b>        |
| <b>Current assets</b>  |      |                        |
| Inventories  | 8    | 1,902.74               |
| Financial assets   |      |                        |
| Cash and cash equivalents  | 9    | 2.96                   |
| Other current assets   | 10   | 186.61                 |
| <b>Total current assets</b>  |      | <b>2,092.31</b>        |
| <b>Total assets</b>  |      | <b>4,113.73</b>        |
| <b>EQUITY AND LIABILITIES</b>  |      |                        |
| <b>Equity</b>  |      |                        |
| Share capital  | 11   | 1,500.00               |
| Other equity   | 12   | (150.22)               |
| <b>Total equity</b>  |      | <b>1,349.78</b>        |
| <b>Non-current liabilities</b>   |      |                        |
| Financial liabilities  |      |                        |
| Borrowings   | 13   | 418.00                 |
| Lease Liability  | 3    | 494.09                 |
| <b>Total non-current liabilities</b>   |      | <b>912.09</b>          |
| <b>Current liabilities</b>   |      |                        |
| Financial liabilities  |      |                        |
| Borrowings   | 14   | 495.19                 |
| Lease Liability  | 3    | 101.45                 |
| Trade payables   | 15   | -                      |
| (a) Total outstanding dues of micro enterprises and small enterprises                      |      | -                      |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises |      | 1,002.86               |
| Other financial liabilities  | 16   | 245.42                 |
| Provisions   | 17   | 1.89                   |
| Other current liabilities  | 18   | 5.05                   |
| <b>Total current liabilities</b>   |      | <b>1,851.86</b>        |
| <b>Total liabilities</b>   |      | <b>4,113.73</b>        |

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

For **Goel Kushwaha & Associates**  
Chartered Accountants  
Firm Registration Number: 032095N

**Tarun Goel**  
Partner  
Membership No. 536085

Place: New Delhi  
Date: 25-June-2020



For and on behalf of the Board of Directors of  
**V2 Smart Manufacturing Pvt Ltd**

**Ram Chandra Agarwal**  
Director  
DIN: 00491885

Place: New Delhi  
Date: 25-June-2020

**Akash Agarwal**  
Director  
DIN: 03194632





**V2 SMART MANUFACTURING PRIVATE LIMITED**  
**Statement of Profit and Loss for the period from 25 October 2019 to 31 March 2020**  
**(All amounts in ₹ in lakh unless otherwise stated)**

|  | Note | For the year ended<br>31-Mar-20 |
|--|------|---------------------------------|
| <b>Income</b>  |      |                                 |
| Revenue from operations  | 19   | 291.07                          |
| Other income   | 20   | 21.43                           |
| <b>Total income</b>  |      | <b>312.50</b>                   |
| <b>Expenses</b>  |      |                                 |
| Purchase of stock-in-trade   | 21   | 2,167.62                        |
| Changes in inventories of stock-in-trade                                     | 22   | -1,902.74                       |
| Direct expenses  | 23   | 26.19                           |
| Employee benefits expense  | 24   | 62.28                           |
| Finance costs  | 25   | 32.59                           |
| Depreciation and amortization expense  | 26   | 52.62                           |
| Other expenses   | 27   | 54.02                           |
| <b>Total expenses</b>  |      | <b>492.58</b>                   |
| <b>Profit before exceptional items and tax</b>                               |      | <b>-180.08</b>                  |
| Exceptional item   |      | 0.00                            |
| <b>Profit before tax</b>   |      | <b>(180.08)</b>                 |
| Tax expense:   |      |                                 |
| Current tax  |      | 0.00                            |
| Deferred tax (income)/charge   | 6    | -29.86                          |
| <b>Total tax expense</b>   |      | <b>-29.86</b>                   |
| <b>Profit for the year</b>   |      | <b>-150.22</b>                  |
| <b>Other comprehensive income</b>  |      |                                 |
| <b>Items that will not be reclassified to profit and loss</b>                |      |                                 |
| Re-measurement (loss) of defined employee benefit plans                      |      | 0.00                            |
| Income tax relating to items that will not be reclassified to profit or loss |      | 0.00                            |
| <b>Other comprehensive income for the year</b>                               |      | <b>0.00</b>                     |
| <b>Total comprehensive income for the year</b>                               |      | <b>-150.22</b>                  |

Significant accounting policies

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

**Earnings per share (face value of ₹ 10 each)**

|             |    |        |
|-------------|----|--------|
| Basic (₹)   | 28 | (1.00) |
| Diluted (₹) |    | (1.00) |

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

**For Goel Kushwaha & Associates**  
Chartered Accountants  
Firm Registration Number: 032095N

Tarun Goel  
Partner  
Membership No. 536085

Place: New Delhi  
Date: 25-June-2020



**For and on behalf of the Board of Directors of  
V2 Smart Manufacturing Pvt Ltd**

*Ram Chand Agarwal*      *Akash Agarwal*  
**Ram Chand Agarwal**      **Akash Agarwal**  
Director      Director  
DIN: 00491885      DIN: 03194632

Place: New Delhi  
Date: 25-June-2020



V2 SMART MANUFACTURING PRIVATE LIMITED  
Statement of audited Cash flow for the period ended 31 March 2020

(Rs. in Lakh)

|  | For the year ended<br>31 March 2020 |
|--|-------------------------------------|
| <b>A. Cash flow from operating activities</b>  |                                     |
| Profit before tax  | (180.08)                            |
| <b>Adjustments for:</b>  |                                     |
| Depreciation and amortisation expense  | 52.62                               |
| Interest income  | (20.94)                             |
| Finance charges  | 32.59                               |
| Share based payments expense   | -                                   |
| <b>Operating profit/(loss) before working capital changes</b>  | <b>(115.81)</b>                     |
| <b>Movement in working capital</b>   |                                     |
| Movement in trade payables   | 1,002.86                            |
| Movement in provisions   | 1.80                                |
| Movement in other liabilities  | 5.05                                |
| Movement in inventories  | (1,902.74)                          |
| Movement in loans and advances   | (14.40)                             |
| Movement in other financial assets   | (1,048.45)                          |
| Movement in other assets   | (193.12)                            |
| <b>Cash flow used in operating activities post working capital changes</b>   | <b>(2,264.81)</b>                   |
| Income tax paid (net)  | (2.05)                              |
| <b>Net cash flow used in operating activities (A)</b>  | <b>(2,266.86)</b>                   |
| <b>B. Cash flows from investing activities</b>   |                                     |
| Purchase of property, plant and equipment (including capital work-in-progress and payable towards property, plant and equipment) | (90.47)                             |
| Interest received  | 20.50                               |
| <b>Net cash flow from investing activities (B)</b>   | <b>(69.97)</b>                      |
| <b>C. Cash flows from financing activities</b>   |                                     |
| Proceeds from issuance of equity share   | 1,500.00                            |
| Proceeds from short term borrowings (net)  | 495.19                              |
| Proceeds from long term borrowings (net)   | 418.00                              |
| Payment of lease liability   | (60.99)                             |
| Interest paid  | (12.41)                             |
| <b>Net cash flow (used in)/from financing activities (C)</b>   | <b>2,339.79</b>                     |
| Net (decrease)/increase in cash and cash equivalents (A+B+C)   | 2.96                                |
| Cash and cash equivalents at the beginning of the period   | -                                   |
| <b>Cash and cash equivalents at the end of the period</b>  | <b>2.96</b>                         |
| <b>Components of cash and cash equivalents at the end of the period</b>  |                                     |
| Cash in hand   | 1.56                                |
| Balance with banks:  |                                     |
| -in current accounts   | 1.40                                |
| <b>Total</b>   | <b>2.96</b>                         |

**Note:**

- The figures in bracket indicate outflows.
- The cash flow has been prepared under the "Indirect method", as set out in Indian Accounting Standard (Ind AS) 7 - Statement of Cash Flows.
- Additions to property, plant and equipment are stated inclusive of movements of capital work-in-progress (including capital advances) and the same has been treated as part of investing activities.

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

For Goel Kushwaha & Associates  
Chartered Accountants  
Firm Registration Number: 032095N

Tarun Goel  
Partner  
Membership No. 536085

Place: New Delhi  
Date: 25-June-2020



For and on behalf of the Board of Directors of  
V2 Smart Manufacturing Pvt Ltd

Ram Chandra Agarwal  
Director  
DIN: 00491885

Place: New Delhi  
Date: 25-June-2020

Akash Agarwal  
Director  
DIN: 03194632



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

#### 1. i) Corporate information

V2 Smart Manufacturing Private Limited (the Company) is a Company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company has been incorporated on October 25, 2019 to carry on the business of manufacturing, trading, fabricating, exporting and importing of all kinds of clothing, readymade garments, jewelry, footwear, hand bags, beauty products and all accessories related to fashion & lifestyle products, or otherwise to act as wholesalers, retailers, franchisers and dealers of all kinds of textile clothing, wearing apparel, cosmetics, jute, linens, all kinds of readymade garments and clothing, lingerie, hosiery and footwear in India or abroad.

#### ii) Basis of preparation

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared under the historical cost convention basis except for the following –

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments); and
- Defined benefit plans – plan assets measured at fair value.
- Assets held for sale – measured at fair value less cost to sell.

The financial statements of the Company are presented in Indian Rupees (₹), which is also its functional currency and all amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III to the Act, unless otherwise stated.

#### iii) Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

#### iv) Significant accounting policies

##### a) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

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



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle\*
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

\*Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

#### b) Property, plant and equipment

##### Recognition and initial measurement

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

purchase price. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits attributable to such subsequent cost associated with the item will flow to the Company. All other repair and maintenance costs are recognized in statement of profit or loss as incurred. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognized as interest expense and not included in cost of asset.

##### Subsequent measurement (depreciation and useful lives)

Depreciation on property, plant and equipment is provided on the straight line method arrived on the basis of the useful life which are equal to those prescribed under Schedule II of the Companies Act, 2013 except for furniture and fixtures and vehicles in which useful lives are different from those prescribed under Schedule II of the Companies Act, 2013. In respect of furniture and fixtures and vehicles, the management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. The following useful life of assets has been taken by the Company:

| Tangible Assets        | Useful Life as per the Schedule II | Useful Life as assessed by the management |
|------------------------|------------------------------------|---|
| Plant and machinery    | 15 Years                           | 15 Years                                  |
| Furniture and fittings | 10 Years                           | 8 Years                                   |
| Vehicles               | 8 Years                            | 8-10 Years                                |
| Office equipment       | 5 Years                            | 5 Years                                   |



**V2 Retail Limited****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

|                                  |          |          |
|----------------------------------|----------|----------|
| Computer equipment               | 3 Years  | 3 Years  |
| Servers and networking equipment | 6 Years  | 6 Years  |
| Electrical equipment & fittings  | 10 Years | 10 Years |
| Air conditioners                 | 10 Years | 10 Years |
| Generator sets                   | 15 Years | 15 Years |

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

Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the month of such addition or, as the case may be, up to the month on which such asset has been sold, discarded, demolished or destroyed or replaced.

**De-recognition**

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising

on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

**c) Intangible Assets****Recognition and initial measurement**

Purchased intangible assets are stated at cost less accumulated amortization and impairment, if any.

**Subsequent measurement (amortisation)**

All finite-lived intangible assets are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. The following useful lives are applied:

| <b>Intangible assets</b> | <b>Useful life (in years)</b>      |
|--------------------------|------------------------------------|
| Software                 | Amortized over a period of 3 years |

**De-recognition**

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

**d) Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.



Impairment losses of continuing operations are recognized in the statement of Profit and Loss.

**e) Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

**f) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest calculated using the effective interest rate (EIR) and other costs like finance charges in respect of the finance leases recognized in accordance with Ind AS 17, that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

**g) Functional and presentation currency**

The financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency.

**Foreign currencies**

**Transactions and balances**

**Initial recognition**

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition.

**Subsequent measurement**

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognized in profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

**Exchange differences**

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



**h) Leases**

**(i) Transition**

Effective 1 April 2019, the Company adopted Ind AS 116 “Leases” and applied the standard to all lease contracts existing on 1 April 2019 using the modified retrospective method and elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate at the date of initial application and the right of use asset at its carrying amount as if the standard had been applied since the commencement date of the lease. Accordingly, Company has taken the cumulative adjustment to retained earnings, on the date of initial application (1 April 2019). Comparatives as at and for the year ended 31 March 2019 have not been retrospectively adjusted and therefore will continue to be reported under the accounting policies included as part of our Annual Report for year ended 31 March 2019.

**(ii) The Company as a lessee**

The Company’s lease asset classes primarily consist of property leases. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset (“ROU”) and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates. Lease liabilities are re-measured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

**i) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.



## **V2 Retail Limited**

### **Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period or each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **j) Trade receivables**

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

#### **k) Inventories**

The Company has only trading goods in its inventory which is valued at lower of cost and net realizable value. Cost of inventory comprises of cost of purchases and other costs incurred in bringing the inventories to their present condition and location. Cost is determined by the weighted average cost method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **l) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, goods and service tax (GST) and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs paid or received, premiums or discounts if any, etc.





**m) Financial instruments**

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

If the Company determines that the fair value at initial recognition differs from the transaction price, the Company accounts for that instrument at that date as follows:

- at the measurement basis mentioned above if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets. The Company recognizes the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- in all other cases, at the measurement basis mentioned above, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Company recognizes that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Subsequent measurement of financial assets and financial liabilities is described below.

**Financial assets**

**Classification and subsequent measurement**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

i. **Financial assets at amortized cost** – a financial instrument is measured at amortized cost if both the following conditions are met:

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method.

ii. **Financial assets at fair value**

- **Investments in equity instruments other than above** – All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are generally classified as at fair value through profit and loss (FVTPL). For all other equity instruments, the Company decides to classify the same either as at fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). The Company makes such election on an instrument by instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the other comprehensive income (OCI). There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

- **Mutual funds** – All mutual funds in scope of Ind-AS 109 are measured at fair value through profit and loss (FVTPL).

#### De-recognition of financial assets

A financial asset is primarily de-recognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

#### Financial liabilities

##### Subsequent measurement

After initial recognition, the financial liabilities, other than derivative liabilities, are subsequently measured at amortized cost using the effective interest method (EIR).

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effect of EIR amortization is included as finance costs in the statement of profit and loss.

##### De-recognition of financial liabilities

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

##### Offsetting of financial instruments

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

##### Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables

#### n) Retirement and other employee benefits

##### Defined Contribution plan

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company makes defined contribution to Government Employee Provident Fund, Employee Deposit Linked Insurance and ESI which are recognized in the statement of profit and loss on accrual basis.

The Company recognizes contributions payable to the provident fund scheme as an expenditure, when an employee renders the related services. The Company has no obligation other than the contribution payable to the Provided Fund. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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#### Defined benefit plan

The Company operates a defined benefit gratuity plan in India. The cost of providing benefits under the defined benefit plan is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

#### Other employee benefits

##### Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognized on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the actuarial valuation performed by an independent actuary using the projected unit credit method. The benefits are discounted using the appropriate market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

##### Other short-term benefits

Expense in respect of other short-term benefits is recognized on the basis of amount paid or payable for the period during which services are rendered by the employees.

#### o) Employee stock option plan

The cost of equity settled share-based plan is recognized based on the fair value of the options as at the grant date. The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in other equity. The total expense is recognised over the vesting period, which is period over which all of the specified vesting conditions are satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of revision to original estimates, if any, in statement of profit and loss, with a corresponding adjustment to equity. The fair value of options is determined using the Black Scholes valuation model.

#### p) Provisions

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 resources embodying economic benefits will be required to settle the obligation and a reliable



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of Profit and Loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### q) Earnings per share

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

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

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

#### r) Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits (Minimum alternate tax credit entitlement) and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.



## V2 Retail Limited

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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#### s) Segment reporting

The Company is engaged in the business of manufacturing of garments, textiles and accessories in India and there are no separate reportable segments as per Ind AS 108 'Segment Reporting'.

#### t) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### v) Significant management judgement in applying accounting policies and estimation uncertainty

The following are the critical judgments and the key estimates concerning the future that management has made in the process of applying the Company's accounting policies and that may have the most significant effect on the amounts recognized in the financial Statements or that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- i. **Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, IT equipment and other plant and equipment.
- ii. **Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.
- iii. **Evaluation of indicators for impairment of assets** – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.
- iv. **Recognition of deferred tax assets** - The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.
- v. **Contingent liabilities** – The Company is the subject of legal proceedings and tax issues covering a range of matters, which are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the final outcome of such matters. The cases and claims against the Company often raise difficult and complex factual and legal issues, which are subject to many uncertainties, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to litigation and taxes. The Company accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.
- vi. **Inventories** – The Company estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. Further, the Company also estimate



**V2 Retail Limited**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

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expected loss due to shrinkage, pilferage etc. along with NRV impact on old inventory taking into account most reliable information available at the reporting date.

**Standards issued but not yet effective**

Ministry of Corporate Affairs ('MCA') notifies new standard or amendments to the existing standards. There is no such notification that would have been applicable from 1 April 2020.



**V2 SMART MANUFACTURING PRIVATE LIMITED**  
**Statement of changes in equity for the year ended 31 March 2020**  
**(All amounts in ₹ in lakh unless otherwise stated)**

**A Equity share capital**

|   | 31-March 2020   |
|---|-----------------|
| Balance as at 1 April 2019                      | -               |
| Changes in equity share capital during the year | 1,500.00        |
| <b>Balance as at 31 March 2020</b>              | <b>1,500.00</b> |

**B Other equity**

| Particulars  | Attributable to owners of V2 Smart Manufacturing Pvt. Ltd. |                   | Total           |
|--|--|-------------------|-----------------|
|  | Reserves and surplus                                       | Retained earnings |                 |
| Balance as at 25 October 2019                        | -  | -                 | -               |
| Profit for the year                                  | (150.22)   | -                 | (150.22)        |
| Other comprehensive income for the year (net of tax) | -  | -                 | -               |
| <b>Total comprehensive income for the year</b>       | <b>(150.22)</b>  | <b>-</b>          | <b>(150.22)</b> |
| Employee stock options                               | -  | -                 | -               |
| <b>Balance as at 31 March 2020</b>                   | <b>(150.22)</b>  | <b>-</b>          | <b>(150.22)</b> |

The accompanying notes form an integral part of these financial statements

As per our report of even date attached

**For Goel Kushwaha & Associates**  
**Chartered Accountants**  
**Firm Registration Number: 032095N**

*Tarun*  
**Tarun Goel**  
 Partner  
 Membership No. 536085

Place: New Delhi  
 Date: 25-June-2020



**For and on behalf of the Board of Directors of**  
**V2 Smart Manufacturing Pvt Ltd**

*Ram Chandra Agarwal*  
**Ram Chandra Agarwal**  
 Director  
 DIN: 00491885

Place: New Delhi  
 Date: 25-June-2020

*Akash Agarwal*  
**Akash Agarwal**  
 Director  
 DIN: 03194632

**Akash Agarwal**  
 Director  
 DIN: 03194632



V2 SMART MANUFACTURING PRIVATE LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

2 Property, plant and equipment

| Description                          | Office equipments | Plant and machinery | Electrical equipments | Furniture and fixture | Computer hardware | Total         |
|--------------------------------------|-------------------|---------------------|-----------------------|-----------------------|-------------------|---------------|
| <b>Gross carrying value</b>          |                   |                     |                       |                       |                   |               |
| As at 25 October 2019                | -                 | -                   | -                     | -                     | -                 | -             |
| Additions                            | 11.79             | 257.65              | 49.10                 | 16.17                 | 1.19              | 335.90        |
| Disposals                            | -                 | -                   | -                     | -                     | -                 | -             |
| <b>As at 31 March 2020</b>           | <b>11.79</b>      | <b>257.65</b>       | <b>49.10</b>          | <b>16.17</b>          | <b>1.19</b>       | <b>335.90</b> |
| <b>Accumulated depreciation</b>      |                   |                     |                       |                       |                   |               |
| As at 25 October 2019                | -                 | -                   | -                     | -                     | -                 | -             |
| Charge for the year                  | 0.24              | 1.40                | 0.51                  | 0.16                  | 0.03              | 2.35          |
| Disposals                            | -                 | -                   | -                     | -                     | -                 | -             |
| <b>As at 31 March 2020</b>           | <b>0.24</b>       | <b>1.40</b>         | <b>0.51</b>           | <b>0.16</b>           | <b>0.03</b>       | <b>2.35</b>   |
| <b>Net block as at 31 March 2020</b> | <b>11.55</b>      | <b>256.24</b>       | <b>48.59</b>          | <b>16.00</b>          | <b>1.16</b>       | <b>333.55</b> |

Notes:

a. Capitalised borrowing cost

The Company has not capitalised any borrowing costs during the year ended 31 March 2020

3 Right of use assets and lease liabilities

Set out below are the carrying amounts of right of use assets and lease liabilities and the movements during the year:

(a) Right-of-use assets

|   |               |
|---|---------------|
| Balance as on 25 October 2019 due to adoption of Ind AS 116 | -             |
| Add: Additions during the year                              | 643.40        |
| <b>Balance as at 31 March 2020</b>                          | <b>643.40</b> |
| <b>Accumulated depreciation and impairment</b>              |               |
| Balance as on 25 October 2019 due to adoption of Ind AS 116 | -             |
| Depreciation for the year                                   | 50.27         |
| <b>Balance as at 31 March 2020</b>                          | <b>50.27</b>  |
| <b>Net carrying amount</b>                                  |               |
| <b>Balance as at 31 March 2020</b>                          | <b>593.13</b> |

(b) Lease liabilities

|   |               |
|---|---------------|
| Balance as on 25 October 2019 due to adoption of Ind AS 116 | -             |
| Add: Addition   | 636.36        |
| Add: Interest expense accrued on lease liabilities          | 20.18         |
| Less: lease liabilities paid                                | 60.99         |
| <b>Closing balance as at 31 March, 2020</b>                 | <b>595.54</b> |

|                    |               |
|--------------------|---------------|
| <b>Current</b>     | <b>101.45</b> |
| <b>Non-current</b> | <b>494.09</b> |

Total cash outflow for leases for the year ended 31 March 2020 was Rs. 60.99 lakh

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|   | As at<br>31 March 2020 |
|---|------------------------|
| <b>4 Loans</b>  |                        |
| Unsecured, considered good (carried at amortised cost)  |                        |
| Security deposits   | 14.40                  |
|   | <u>14.40</u>           |
| The carrying values are considered to be a reasonable approximate of their fair values.                 |                        |
| <b>5 Other financial assets</b>   |                        |
| Fixed deposits having maturity of more than 12 months   | 1,048.45               |
| Above fixed deposits are held as margin money with ICICI bank towards term loan and overdraft facility. | <u>1,048.45</u>        |
| <b>6 Deferred tax asset arising on account of:</b>  |                        |
| Provision for employee benefits   | 0.64                   |
| Carried forward losses  | 32.98                  |
|   | <u>33.62</u>           |
| <b>Deferred tax liability arising on account of:</b>  |                        |
| Property, plant and equipment   | 3.73                   |
| Security deposits   | 0.03                   |
|   | <u>3.76</u>            |
| <b>Net deferred tax assets</b>  | <u>29.86</u>           |

**Notes:**

(a) Movement in deferred tax assets/(liabilities) for the year ended 31 March 2020 is as follows:

| Description  | Opening Balance | Recognised / (reversed) through profit and loss | Recognised / (reversed) in other comprehensive income | Closing Balance |
|--|-----------------|---|---|-----------------|
| <b>Deferred tax assets/(liabilities) in relation to:</b> |                 |   |   |                 |
| Security deposits  | -               | (0.03)  |   | (0.03)          |
| Provision for employee benefits                          | -               | 0.64  | -   | 0.64            |
| Carried forward losses                                   | -               | 32.98   |   | 32.98           |
| Property, plant and equipment                            | -               | (3.73)  |   | (3.73)          |
|  | -               | <b>29.86</b>                                    | -   | <b>29.86</b>    |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ in lakh unless otherwise stated)

|   | As at<br>31 March 2020         |
|---|--------------------------------|
| <b>6 (ii) Tax expense</b>   |                                |
| The income tax expense consists of the following:   |                                |
| Current tax expense   | -                              |
| Deferred tax expense/ (credit)  | 29.86                          |
| <b>Total income tax expense</b>   | <b>29.86</b>                   |
| <b>(a) The major components of income tax expense and the reconciliation of expense based on the domestic effective tax rate of at 17.472% and the reported tax expense in profit or loss are as follows:</b> |                                |
| Profit / (loss) before income tax   | (180.08)                       |
| Income tax using the Company's domestic tax rate *  | 17.472%                        |
| <b>Expected tax expense [A]</b>   | <b>(31.46)</b>                 |
| <b>Tax effect of adjustment to reconcile expected income tax expense to reported income tax expense</b>   |                                |
| Tax effect of expenses not eligible for deduction   |                                |
| Property, plant and equipment   | (3.73)                         |
| Provision for employee benefits   | 0.64                           |
| Security deposits   | (0.03)                         |
| Non-deductible expenses/non-taxable income  | 1.52                           |
| Brought forward business loss set off   |                                |
| <b>Total adjustments [B]</b>  | <b>(1.60)</b>                  |
| <b>Actual tax expense [C=A+B]</b>   | <b>(29.86)</b>                 |
| * Domestic tax rate applicable to the Company has been computed as follows  |                                |
| Base tax rate   | 15%                            |
| Surcharge (% of tax)  | 12%                            |
| Cess (% of tax)   | 4%                             |
| Applicable rate   | 17.47%                         |
|   | <b>As at<br/>31 March 2020</b> |
| <b>7 Income tax assets (net)</b>  |                                |
| Advance tax (net of provision of tax)   | 2.05                           |
|   | <b>2.05</b>                    |
| <b>8 Inventories</b>  |                                |
| (Valued at lower of cost and net realisable value, unless otherwise stated)   |                                |
| Raw materials   | 1,135.58                       |
| Work in progress  | 748.52                         |
| Finished goods  | 18.65                          |
|   | <b>1,902.74</b>                |
|   | <b>As at<br/>31 March 2020</b> |
| <b>9 Cash and cash equivalents</b>  |                                |
| Cash in hand  | 1.56                           |
| Balance with banks:   |                                |
| -in current accounts  | 1.40                           |
|   | <b>2.96</b>                    |
| <b>Notes:</b>   |                                |
| (i) Other than as disclosed, there are no repatriation restrictions with respect to other bank balances as at the end of the reporting year and prior year.   |                                |
| (ii) The carrying values are a reasonable approximate of their fair values.   |                                |
| <b>10 Other current assets</b>  |                                |
| Prepaid expenses  | 3.15                           |
| Advances recoverable in kind or value to be received  | 0.32                           |
| Balance with statutory authorities  | 183.13                         |
|   | <b>186.61</b>                  |



**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|   | As at<br>31 March 2020 |
|---|------------------------|
| <b>11 Equity share capital</b>              |                        |
| <b>Authorised</b>                           |                        |
| 15,000,000 equity shares of ₹ 10 each       | 1,500                  |
| <b>Issued, subscribed and fully paid-up</b> |                        |
| 15,000,000 equity shares of ₹ 10 each       | 1,500                  |
|   | <u>1,500</u>           |

|   | 31-Mar-20         |                 |
|---|-------------------|-----------------|
|   | No of shares      | Amount          |
| <b>(a) Reconciliation of number of shares</b>     |                   |                 |
| <b>Equity shares at the beginning of the year</b> | -                 | -               |
| Changes during the year                           | 15,000,000        | 1,500.00        |
| <b>Equity shares at the end of the year</b>       | <u>15,000,000</u> | <u>1,500.00</u> |

**(b) Terms/rights attached to equity shares/warrants**

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividend in Indian rupees. The Board of Directors of the Company has not declared any dividend during the reporting period.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

|   | 31-Mar-2020       |                |
|---|-------------------|----------------|
|   | No of shares      | % holding      |
| <b>(c) Details of shareholders holding more than 5% shares in the company</b> |                   |                |
| V2 Retail Limited   | 14,999,999        | 100.00%        |
|   | <u>14,999,999</u> | <u>100.00%</u> |

|                            | As at<br>31 March 2020 |
|----------------------------|------------------------|
| <b>12 Other equity</b>     |                        |
| <b>Retained earnings</b>   |                        |
| Opening balance            | -                      |
| Add: Net loss for the year | (150.22)               |
|                            | <u>(150.22)</u>        |
|                            | <u>(150.22)</u>        |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|   | As at<br>31 March 2020 |
|---|------------------------|
| <b>13 Non-current borrowings</b>  |                        |
| <b>Secured</b>  |                        |
| Term loan from banks  | 418.00                 |
|   | <u>418.00</u>          |
|   | <u>418.00</u>          |
| <p>Term loan facility of ₹ 440.00 lakh from ICICI bank for purchase of plant carries an interest at 8.50% per annum. It is secured against earmarked fixed deposits. The loan is repayable in 60 equated monthly installments.</p> <p>Refer note 33 for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.</p> |                        |
| <b>14 Short-term borrowings</b>   |                        |
| <b>Secured</b>  |                        |
| Overdraft facility from ICICI (refer note below)  | 495.19                 |
| <p>Overdraft facility of ₹ 495.00 lakh from ICICI carries an interest @ 8% per annum. It is secured against earmarked fixed deposits.</p>   |                        |
|   | <u>495.19</u>          |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

**(All amounts in ₹ in lakh unless otherwise stated)**

**As at  
31 March 2020**

**15 Trade payables**

Dues to

-micro enterprises and small enterprises

-due to others

-

1,002.86

1,002.86

**Due to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

| Particulars   |   |
|---|---|
| i) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year  |   |
| Principal amount remaining unpaid   | - |
| Interest accrued and remaining unpaid as at year end  | - |
| ii) Amount of interest paid by the Company to the suppliers in terms of section 16 of the Act   | - |
| iii) Amount paid to the suppliers beyond the respective due date.   | - |
| iv) Amount of interest due and payable for the period of delay in payments (which have been paid but beyond the due date during the year) but without adding the interest specified under the Act.  | - |
| v) Amount of interest accrued and remaining unpaid at the end of accounting period.   | - |
| vi) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of this Act. | - |

**As at  
31 March 2020**

**16 Other financial liabilities**

**Current**

Sundry creditors for fixed assets

245.42

245.42

**17 Provisions**

**Current**

Provision for gratuity

0.08

Provision for compensated absences

1.80

1.89

For disclosures on Gratuity and Other post employment benefit obligation, refer note 30

**18 Other current liabilities**

Statutory liabilities

5.05

5.05

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|  | Year ended<br>31-Mar-20  |
|--|--------------------------|
| <b>19 Revenue from operations</b>                  |                          |
| <b>Operating revenue</b>                           |                          |
| Sales of manufactured goods                        | 291.07                   |
|  | <u><b>291.07</b></u>     |
| <b>20 Other income</b>                             |                          |
| <b>Interest from:</b>                              |                          |
| Other financial assets carried at amortised cost   | 0.43                     |
| Bank deposits                                      | 20.50                    |
| Miscellaneous income                               | 0.49                     |
|  | <u><b>21.43</b></u>      |
| <b>21 Purchase of goods</b>                        |                          |
| Purchase of goods                                  | 2,167.62                 |
|  | <u><b>2,167.62</b></u>   |
| <b>22 Changes in inventories of stock-in-trade</b> |                          |
| <b>Closing Stock</b>                               |                          |
| Raw materials                                      | 1,135.58                 |
| Work in progress                                   | 748.52                   |
| Finished goods                                     | 18.65                    |
| <b>Opening Stock</b>                               |                          |
| Raw materials                                      | -                        |
| Work in progress                                   | -                        |
| Finished goods                                     | -                        |
|  | <u><b>(1,902.74)</b></u> |
| <b>23 Direct Expenses</b>                          |                          |
| Production Consumables                             | 10.91                    |
| Generator Running & Maintenance                    | 6.08                     |
| Power & Fuel                                       | 8.86                     |
| Water Exp  | 0.35                     |
|  | <u><b>26.19</b></u>      |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|  | Year ended<br>31-Mar-20 |
|--|-------------------------|
| <b>24 Employee benefit expense</b>                                   |                         |
| Salaries, wages and bonus  | 56.33                   |
| Post-employment and other long-term benefits expense (refer note 30) | 0.08                    |
| Contribution to provident and other funds                            | 1.31                    |
| Staff welfare  | 4.56                    |
|  | <u>62.28</u>            |
| <b>25 Finance costs</b>  |                         |
| Interest on  |                         |
| Term loans   | 8.86                    |
| Working capital facility   | 3.55                    |
| Interest on lease liabilities (refer note 3)                         | 20.18                   |
|  | <u>32.59</u>            |
| <b>26 Depreciation and amortisation</b>                              |                         |
| Depreciation on property, plant and equipment                        | 2.35                    |
| Depreciation on right of use asset (refer note 3)                    | 50.27                   |
|  | <u>52.62</u>            |
| <b>27 Other expenses</b>   |                         |
| Power, fuel and electricity  | 8.61                    |
| Water Exp  | 1.37                    |
| Repair and maintenance   |                         |
| - Plant and machinery  | 1.05                    |
| - Others   | 1.66                    |
| Insurance charges  | 0.95                    |
| Rates and taxes  | 18.90                   |
| Legal and professional   | 1.17                    |
| Printing and stationery  | 1.07                    |
| Packing materials & expenses   | 3.53                    |
| Security service charges   | 1.28                    |
| Housekeeping expenses  | 1.38                    |
| Traveling and conveyance   | 4.88                    |
| Payment to auditors (refer note 'a' below)                           | 0.35                    |
| Miscellaneous expenses   | 7.82                    |
|  | <u>54.02</u>            |
| <b>a. Auditors' remuneration</b>                                     |                         |
| Statutory audit (including fees for limited reviews)                 | 0.35                    |
| Out of pocket expenses   | -                       |
|  | <u>0.35</u>             |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|  | Year ended<br>31-Mar-20 |
|--|-------------------------|
| <b>28 Earnings per share</b>   |                         |
| Profit attributable to equity shareholders before exceptional items (A)  | (150.22)                |
| Nominal value per share  | 10.00                   |
| <b>Weighted-average number of ordinary shares (basic)</b>                |                         |
| Numbers of weighted average equity share outstanding at the opening      | -                       |
| Issued ordinary shares   | 15,000,000              |
| Weighted average number of equity shares outstanding during the year (B) | 15,000,000              |
| <b>Basic EPS (Amount in ₹) (A/B)</b>                                     | (1.00)                  |
| <b>Diluted EPS (Amount in ₹) (A/C)</b>                                   | (1.00)                  |

**\*Diluted earnings per share**

The calculation of diluted earnings per share has been based on the profit attributable to equity shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential equity shares.

**(b) Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for net of advance on tangible assets

**29 Segment information**

In accordance with Ind AS 108, the Board of directors, being the Chief operating decision maker of the Company, has determined that the Company is engaged in the business of manufacturing of garments in India and there are no separate reportable segments as per Ind AS 108. Thus, the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation during the year is as reflected in the financial statement. The Company's operations are such that all activities are confined only to India.

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

**(All amounts in ₹ in lakh unless otherwise stated)**

**30 Gratuity and other post employment benefit plans**

| Particulars | 31 March 2020 |             |
|-------------|---------------|-------------|
|             | Current       | Non-current |
| Gratuity    | 0.08          | -           |
|             | <b>0.08</b>   | <b>-</b>    |

**A Gratuity**

The Company operates gratuity plan where in every employee is entitled to benefit equivalent to 15 days salary (includes dearness allowance) last drawn for each completed year of service. The same is payable on termination of service, or retirement, or death whichever is earlier. The benefits vests after five years of continuous service. Gratuity benefits valued were in accordance with the payment of Gratuity Act, 1972.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and amounts recognised in the balance sheet for the Gratuity plan:

**(i) Amount recognised in the statement of profit and loss is as under:**

| Description  | 31 March 2020 |
|--|---------------|
| Current service cost   | 0.08          |
| Interest cost  | -             |
| <b>Amount recognised in the statement of profit and loss</b> | <b>0.08</b>   |

**(ii) Changes in the present value of the defined benefit obligation are as follows :**

| Description  |             |
|--|-------------|
| <b>Present value of defined benefit obligation as at the start of the year</b> | -           |
| Current service cost   | 0.08        |
| Interest cost  | 0.00        |
| Actuarial loss/(gain) recognised during the year                               | -           |
| Benefits paid  | -           |
| <b>Present value of defined benefit obligation as at the start of the year</b> | <b>0.08</b> |

**(iii) Amount recognised in Other comprehensive income is as under:**

| Description  |          |
|--|----------|
| Actuarial (gain)/loss on arising from change in demographic assumption | -        |
| Actuarial (gain)/loss on arising from change in financial assumption   | -        |
| Actuarial (gain)/loss on arising from experience adjustment            | -        |
| <b>Total actuarial (gain)/loss</b>                                     | <b>-</b> |

**(iv) The principal assumptions used in determining gratuity benefit obligations for the Company are shown below**

| Description   |                             |
|---|-----------------------------|
| Discount rate   | 5.04%                       |
| Retirement age  | 58 years                    |
| Mortality rates inclusive of provision for disability | 100% of IALM<br>(2012 - 14) |
| Attrition at ages:                                    |                             |
| - Upto 30 years                                       | 50.00%                      |
| - From 31 to 44 years                                 | 50.00%                      |
| - Above 44 years                                      | 50.00%                      |
| Rate of increase in compensation                      | 10.00%                      |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.



**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

|  | <u>31 March 2020</u> |
|--|----------------------|
| <b>(v) Sensitivity analysis for gratuity liability</b> |                      |
| <b>Description</b>                                     |                      |
| <b>Impact of the change in discount rate</b>           |                      |
| Present value of obligation at the end of the year     | <b>0.08</b>          |
| - Impact due to increase of 0.50 %                     | (238.00)             |
| - Impact due to decrease of 0.50 %                     | 251.00               |
| <b>Impact of the change in salary increase</b>         |                      |
| Present value of obligation at the end of the year     | <b>0.08</b>          |
| - Impact due to increase of 0.50 %                     | 235.00               |
| - Impact due to decrease of 0.50 %                     | (230.00)             |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

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

**Expected contribution**

|  | <u>31 March 2020</u> |
|--|----------------------|
| Expected contribution to Gratuity in next year | 58,998               |

**(vi) Maturity profile of defined benefit obligation (undiscounted)**

| <b>Description</b>    |      |
|-----------------------|------|
| Within next 12 months | 0.00 |
| Between 2-5 years     | 0.01 |
| Beyond 5 years        | 0.07 |

**Notes:**

- The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.
- The estimates of future salary increase considered takes into account the inflations, seniority, promotion and other relevant factors on long term basis.
- The weighted average duration to the payment of these cash flows is 1.49 years.

**B Defined contribution scheme**

The Company's state governed provident fund scheme, employee state insurance scheme and labour welfare fund scheme are considered as defined contribution plans. The contribution under the schemes is recognised as an expense in the statement of profit and loss, when an employee renders the related service. There are no other obligations other than the contribution payable to the respective funds. The amount of contribution made by the Company to employees' provident fund is ₹ 0.76 lakh.

**C Other long term employee benefits****Long term compensated absences****Principal assumptions for long term compensated absences**

|   |                             |
|---|-----------------------------|
| Discount rate   | 5.04%                       |
| Retirement age  | 58 years                    |
| Mortality rates inclusive of provision for disability | 100% of IALM<br>(2012 - 14) |
| Attrition at ages:                                    |                             |
| - Upto 30 years                                       | 50.00%                      |
| - From 31 to 44 years                                 | 50.00%                      |
| - Above 44 years                                      | 50.00%                      |
| Rate of increase in compensation                      | 10.00%                      |



**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020  
(All amounts in ₹ in lakh unless otherwise stated)

**31 Related party disclosures****(a) Holding Company**

V2 Retail Limited

**(b) Directors**

Mr. Ram Chandra Agarwal (Director)

Mr. Akash Agarwal (Director)

**(c) Summary of transactions with related parties:**

| S. No. | Particulars   | 31 March 2020 |
|--------|---|---------------|
| 1      | <b>Sale of manufactured goods</b><br>V2 Retail Limited                                | 291.07        |
| 2      | <b>Purchase of property, plant and equipment during the year</b><br>V2 Retail Limited | 243.52        |
| 3      | <b>Purchase of raw material during the year</b><br>V2 Retail Limited                  | 1,055.07      |
| 4      | <b>Balance outstanding as at the year end:</b><br>Trade payable<br>V2 Retail Limited  | 1,298.59      |
| 5      | <b>Maximum amount outstanding at any time during the year</b><br>V2 Retail Limited    | 1,298.59      |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020  
(All amounts in ₹ in lakh unless otherwise stated)

**32 Revenue from Contracts with Customers**

Indian Accounting Standard 115 Revenue from Contracts with Customers ("Ind AS 115"), establishes a framework for determining whether, how much and when revenue is recognised and requires disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts. Under Ind AS 115, revenue is recognised through a 5-step approach:

- (i) Identify the contract(s) with customer;
- (ii) Identify separate performance obligations in the contract;
- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and

**Assets and liabilities related to contracts with customers\***

| Description  | As at 31 March 2020 |         |
|--|---------------------|---------|
|  | Non-current         | Current |
| <b>Contract liabilities related to sale of goods</b> |                     |         |
| Advance from customers                               | -                   | -       |
| <b>Contract receivables related to sale of goods</b> |                     |         |
| Trade receivables                                    | -                   | -       |

**Significant changes in contract assets and liabilities**

There has been no significant changes in contract assets/contract liabilities during the year.

**Revenue recognised in relation to contract liabilities**

Ind AS 115 also requires disclosure of major changes on account of revenue recognised in the reporting period from the contract liability balance at the beginning of the period and other changes.

| Description                        | Year ended<br>31 March 2020 |
|------------------------------------|-----------------------------|
| Opening balance                    | -                           |
| Addition during the year           | -                           |
| Revenue recognised during the year | -                           |
| Closing balance                    | -                           |

**Disaggregation of revenue**

Revenue arises mainly from the sale of traded goods:

| Description                | 31 March 2020 |
|----------------------------|---------------|
| <b>(A) Sale of goods</b>   |               |
| Revenue from sale of goods | 291.07        |
|                            | <b>291.07</b> |

\* The Company operates single segment i.e. manufacturing of garments

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V2 SMART MANUFACTURING PRIVATE LIMITED  
 Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020  
 (All amounts in ₹ in lakh unless otherwise stated)

33 Fair value disclosures  
 A Financial instruments by category

| Particulars   | 31 March 2020 |       |                 |
|---|---------------|-------|-----------------|
|   | FVOCI         | FVTPL | Amortised cost  |
| <b>Financial assets measured at amortised cost</b>      |               |       |                 |
| Security deposits                                       | -             | -     | 14.40           |
| Cash and cash equivalents                               | -             | -     | 2.96            |
| Other financial assets                                  | -             | -     | 1,048.45        |
| <b>Total</b>  | -             | -     | <b>1,065.81</b> |
| <b>Financial liabilities measured at amortised cost</b> |               |       |                 |
| Borrowings  | -             | -     | 913.19          |
| Lease liabilities                                       | -             | -     | 595.54          |
| Trade payable   | -             | -     | 1,002.86        |
| Other financial liabilities                             | -             | -     | 245.42          |
| <b>Total</b>  | -             | -     | <b>2,757.02</b> |

B Fair values hierarchy

The fair value of financial instruments as referred to in note (A) above has been classified into two categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

Level 1: Quoted prices for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a net asset value or valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

(i) Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs.

| Particulars       | 31 March 2020  |              |
|-------------------|----------------|--------------|
|                   | Carrying value | Fair value   |
| Security deposits | 14.40          | 21.00        |
|                   | <b>14.40</b>   | <b>21.00</b> |

The management assessed that fair values of cash and cash equivalents, trade payables, interest accrued on bank deposits with banks, other current financial assets and other current financial liabilities approximates their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of loans, borrowings and other financial assets and liabilities are considered to be the same as their fair values, as there is an immaterial change in the lending rates.

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**V2 SMART MANUFACTURING PRIVATE LIMITED**  
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33(a) Financial risk management

i) Risk management framework

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| Risk                         | Exposure arising from  | Measurement                 | Management  |
|------------------------------|--|-----------------------------|---|
| Credit risk                  | Cash and cash equivalents, financial assets measured at amortised cost           | Aging analysis              | Bank deposits, diversification of asset base, credit limits and collateral.               |
| Liquidity risk               | Borrowings and other liabilities   | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities                           |
| Market risk - interest rate  | Recognised variable rate financial liabilities denominated in Indian rupee (INR) | Cash flow forecasting       | Company is in the process of reducing the debt component to reduce the interest rate risk |
| Market risk - security price | Investments in mutual funds  | Sensitivity analysis        | Company presently make investments in high rated mutual funds                             |

A) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure.

- cash and cash equivalents,
- loans and receivables carried at amortised cost, and
- deposits with banks

a) Credit risk management

The Company assesses and manages credit risk based on internal credit rating system, continuously monitoring defaults of customers and other counterparties, identified either individually or by the company, and incorporates this information into its credit risk controls. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- A: Low
- B: Medium
- C: High

Assets under credit risk

| Credit rating | Particulars               | 31 March 2020 |
|---------------|---------------------------|---------------|
| A: Low        | Loans                     | 14.40         |
|               | Other financial assets    | 1,048.45      |
|               | Cash and cash equivalents | 2.96          |

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks.

Other financial assets measured at amortised cost

Other financial assets measured at amortized cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system in place ensure the amounts are within defined limits.

B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity of Company based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| 31 March 2020               | Less than 1 year | 1-3 year      | More than 3 years | Total           |
|-----------------------------|------------------|---------------|-------------------|-----------------|
| Borrowings                  | 495.19           | -             | -                 | 495.19          |
| Trade payable               | 1,002.86         | -             | -                 | 1,002.86        |
| Lease liabilities           | 147.52           | 307.87        | 266.94            | 722.33          |
| Other financial liabilities | 245.42           | -             | -                 | 245.42          |
| <b>Total</b>                | <b>1,891.01</b>  | <b>307.87</b> | <b>266.94</b>     | <b>2,465.82</b> |

C) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.



**V2 SMART MANUFACTURING PRIVATE LIMITED****Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**  
**(All amounts in ₹ in lakh unless otherwise stated)****a) Interest rate risk****i) Liabilities**

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At March 31, 2019, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates.

*Interest rate risk exposure*

Below is the overall exposure of the Company to interest rate risk:

| Particulars             | 31 March 2020 |
|-------------------------|---------------|
| Variable rate borrowing | -             |
| Fixed rate borrowing    | 913.19        |
| <b>Total borrowings</b> | <b>913.19</b> |

*Sensitivity*

The Company does not have any variable rate borrowings and hence no effect of sensitivity in the statement for profit and loss.

**ii) Assets**

The Company's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

- 33(b)** The Company has recognised deferred tax assets arising from unabsorbed depreciation and business losses to the extent there is reasonable certainty the Company would be able to realise the deferred tax assets against future taxable income.

**34 Capital management**

The Company's capital management objectives are

- to safeguard their ability to continue as a going concern
- to maintain an optimal capital structure to reduce the cost of capital

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's adjusted net debt to equity ratio at 31 March 2019 and 31 March 2018 are as follows.

| Particulars                                       | 31 March 2020 |
|---|---------------|
| Total borrowings                                  | 913.19        |
| Less: cash and cash equivalents                   | 2.96          |
| <b>Net debt</b>                                   | <b>910.23</b> |
| Total equity                                      | 1,349.78      |
| <b>Adjusted net debt to adjusted equity ratio</b> | <b>67.44%</b> |

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**V2 SMART MANUFACTURING PRIVATE LIMITED**

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ in lakh unless otherwise stated)

**35 Ind AS 116 - Leases**

The Company has leases for the office , warehouse and factory.

There are no restrictions imposed on the Company under the lease arrangement. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security against the Company's other debts and liabilities. For leases over office buildings and other premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on balance sheet:

| Right-of-use asset | No of right-of-use assets leased | Range of remaining term (in years) | Average remaining lease term |
|--------------------|----------------------------------|------------------------------------|------------------------------|
| Office             | 1                                | 4.6                                | 4.6                          |
| Warehouse          | 1                                | 4.6                                | 4.6                          |
| Factory            | 1                                | 4.6                                | 4.6                          |

The following are amounts recognised in statement of profit and loss:

| Particulars                                 | Year ended 31 March 2020 |
|---|--------------------------|
| Amortisation expense of right-of-use assets | 3,355.28                 |
| Interest expense on lease liabilities       | 2,816.09                 |
| <b>Total</b>                                | <b>6,171.37</b>          |

36 World Health Organization (WHO) declared outbreak of Corona virus disease (COVID-19) a global pandemic. Consequent to this, Government of India has declared lockdown i.e., 24 March 2020 which is causing significant economic slowdown and disruptions of business operations. This has also temporarily impacted the business activities of the Company such as closure of stores and warehouse, disruption of supply chain, etc. The Company has prepared cash flow projections to assess the cash flow requirements and funds available from various sources including bank borrowings etc. for next 12 months. The management has also considered the possible effects of the pandemic on the carrying values of assets and the business forecasts. In developing the assumptions relating to the possible impacts of this pandemic and cash flow projections, the Company has used internal and external information up to the date of approval of these financial results and current indicators of future economic conditions. The Company expects to recover the carrying amount of these assets and have sufficient liquidity for business operations for at least another twelve months. The impact of the pandemic on the Company's financial results may differ from that estimated as at the date of approval of these financial results and the management will continue to closely monitor any material changes arising of future economic conditions and impact on its business.

37 No adjusting or significant non-adjusting events have occurred between the 31 March reporting date and the date of authorisation.

For Goel Kushwaha & Associates  
Chartered Accountants  
Firm Registration Number: 032095N

Tarun  
Tarun Goel  
Partner



Place: New Delhi  
Date: 25-June-2020

For and on behalf of the Board of Directors of  
V2 Smart Manufacturing Pvt Ltd

Ram Chandra Agarwal  
Director  
DIN: 00491885

Place: New Delhi  
Date: 25-June-2020

Akash Agarwal  
Akash Agarwal  
Director  
DIN: 03194632

