2017-18

MSL™

MSL DRIVELINE SYSTEMS LIMITED

ANNUAL REPORT

Board of Directors

Gaurav Motwane
Chairman, Managing Director & Chief Executive Officer
DIN 00746165

Superna Motwane
Non-Executive Director
DIN 01343282

Satpal Khattar
Non-Executive Director
DIN 00307293

Vivek Patwardhan
Independent Director
DIN 07140190

Rajesh Nagpal
Non-Executive Director
DIN 00032123

Nikhilesh Panchal
Non-Executive Director
DIN 00041080

Arvind Khattar
Non-Executive Director
DIN 00245485

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Auditors

S R B C & Co. LLP
14th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar (West), Mumbai 400 028.

Registrar & Transfer Agent

Karvy Computer Shares Private Limited
Plot No.17-24, Vitthalrao Nagar,
Madhapur, Hyderabad 500 081.

Registered & Corporate Office

Unit No.1506, 15th Floor, One BKC, 'B' Wing,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.

Factory

Nashik
89/1A, M.I.D.C., Satpur, Nashik 422 007, Maharashtra, India.

Pithampur
Plot No.5, Sector II, Industrial Area, Pithampur,
District Dhar 454 775, Madhya Pradesh, India.

Branch Offices

Chennai
Subhash Towers, 11th Floor, 8, Hazari Street,
(Near Hotel Lawoods), Mount Road, Chennai 600 002.

Kolkata
7, KYD Street, 3rd Floor, Kolkata 700 016.

Delhi
Unit No.516, 6th Floor, Westend Mall,
Jankapuri West, New Delhi 110 058.

Pune
Office No.12-13-14, 2nd Floor, Saidham Complex,

Contents

BOARD'S REPORT

Dear Members,

Your Directors are pleased to present the 24th Annual Report of your Company together with the audited financial statements for the Financial Year ended March 31, 2018.

1. FINANCIAL RESULTS

(Rs. Million)

Particulars	**Year ended March 31, 2018**	Year ended March 31, 2017
Total Revenue	**5,663.6**	4,951.2
Profit before Depreciation	**666.3**	424.9
Less : Depreciation / Amortization	**103.9**	85.0
Profit before Tax	**562.4**	339.9
Less : Provision for Tax – Current year	**191.0**	96.5
Deferred tax (net)	**1.6**	17.6
Current Tax Credit (Net) relating to prior years	**–**	(9.4)
Profit for the year after tax	**369.8**	235.2
Other Comprehensive Income (Net of Tax)	**(5.4)**	(1.4)
Total Comprehensive Income	**364.4**	233.8
Profit for earlier years brought forward	**1,440.8**	1,350.0
Profit available for appropriation	**1,805.2**	1,583.8
Buy Back of Shares	**240.8**	–
Income Tax on Buy Back of Shares	**57.7**	–
Dividend Paid	**–**	118.8
Income Tax on Dividend Paid	**–**	24.2
Transfer to General Reserve	**–**	–

Your Company's Revenue from Operations (Net) for the year under review was Rs.5,509.0 Million, compared to Rs.4,417.6 Million in the previous year, registering a rise of 25%.

Other Income was Rs.24.1 Million in 2017-18 compared to Rs.25.4 Million in 2016-17. Profit before Depreciation, Interest and Tax (PBDIT) was at Rs.691.4 Million as against Rs.458.1 Million in 2016-17. The percentage of Profit before Tax (PBT) to Total Revenue (Net) improved to10.2% in 2017-18 from 7.7% in 2016-17.

Profit after Tax increased to from Rs.235.2 Million in 2016-17 to Rs.369.8 Million in 2017-18. The percentage of Profit after Tax to Total Revenue improved from 5.3% in 2016-17 to 6.6% in 2017-18.

The Board does not recommend dividend for the financial year 2017-18 and no profit is proposed to be transferred to general reserve.

2. THE STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK

ECONOMIC SCENARIO AND DOMESTIC MARKET

The year started on a weak note post demonetization and BS IV implementation. The first quarter ended with a subdued note due to this. However, with a good monsoon and post GST implementation, the second quarter looked quite healthy in terms of signs of revival. The rural economy grew and resulted in boosting utility vehicle and Light Commercial Vehicle (LCV) sales. Growth in the rural economy coupled with Government spending in infrastructure and stringent regulations on overloading has given boost to sales of Medium & Heavy Commercial Vehicles (M & HCV).

The full effect of these positive factors was seen in the third quarter that enabled an increase of sales in the Utility vehicle, LCV, M & HCV and construction equipment segments.

The optimistic trend continued in the fourth quarter with sales growth in all segments resulted in more than 20% growth vis-à-vis average of the first three quarters.

The automotive segments to which your Company caters to are projected to grow in the year 2018-2019 on the back of higher infrastructure spending by the Government, switch over to BS VI emission norms and the much awaited scrappage policy of old vehicles.

EXPORTS

US Heavy Commercial Vehicle segment (HCV) especially Class 6-8 trucks witnessed strong order inflow for the year gone by. Consequently, the Company's exports to the North America have witnessed growth. Export sales to the North American market segment in F' 18 was USD 13.7 Million as against USD 6.7 Million in F'17.

The Export business is expected to grow over in F.Y. 2018-19 on the back of a strong US economy and vehicle sales data.

Export to European market has remained steady in year F.Y. 2016-17 and this trend is expected to remain on similar demand pattern in F.Y. 2018-19.

AFTER MARKET BUSINESS

This year the Company introduced more models of HCV segment clutches and UJ parts in the HCV segment. Also, brand building activities like new user friendly catalogues were completed, marketing campaign were carried out and additions in numbers of channel partners was successfully done.

The After Market sale in F'18 was Rs.864.3 Million compared to Rs.777.3 Million in F'17.

NEW BUSINESS

The decision to establish a plant in Pithampur has started showing results in F'18 with positive support from Volvo Eicher Commercial Vehicle (VECV). The sales from the Pithampur plant in year F'18 was Rs.190 Million. With increasing volumes and the commencement of new business with VECV Sales from the Pithampur plant are projected to grow in the year 2018-2019.

TECHNOLOGY AND PRODUCTS OFFERING

The global trends in terms of technology and products revolve around environmental regulations, safety, light-weighing and connectivity. Your Company is constantly developing products that meet the dynamic requirements of the market. Products have been developed to cover the entire range of vehicles including new generation heavy commercial vehicles.

TECHNOLOGY AND PRODUCT DEVELOPMENT

The development of products for new generation of LCV, M&HCV vehicles puts the Company on a strong footing where it is positioned to provide products for future demand trends. Several new products have been developed under period of review and several current products have been upgraded.

RESEARCH AND DEVELOPMENT

In order to boost customer confidence in our product offering, our Company has continuously invested in testing facilities. A new R&D Centre has been created with the State of the Art equipment catering for all range of products made by the Company.

The facility in addition to testing, validations for products as per customer requirements, it also supports in-house innovations, as regards products, features & processes.

This year Company invested Rs.1.4 Million as compared to Rs.17.7 Million last year in R&D.

THE YEAR AHEAD

The three major businesses that contribute to the revenue of the Company are expected to grow in the year 2018-2019.

The North American truck market is on the up-swing and it is expected to return to the volumes of 2014-2015.

The domestic market growth depends on the following:

1. Government spending in infrastructure
2. Opening of mining segment

3. Vehicle scrap page policy

All above factors are showing positive sentiments and minimum 8% growth is expected this year.

Investment in infrastructure is expected to continue. The Government is planning to spend more so that the overall economy becomes better. The Ministry of Road Transport and Highways has been bullish on building highways. This is a good sign. The fiscal deficit is reported to be under control. This indicates that the Government is having good control on the revenue side. Based on this combined with expectations of good monsoon, there is good reason to believe that the public spending will increase. Another reason to be optimistic is reducing trend of interest rates. Increase in bank deposits and control on inflation has made this possible. One can see the financial year 2011-12 numbers could be exceeded in financial year 2017-18.

There are several challenges that the Company needs to factor into its business plans. Global factors affecting trade, protectionist policies curtailing the business of exports, prices of crude oil, change in elected Government in India, migration from ICU engines to Electric vehicles to name a few are some of the risks that the Company faces. The management of the Company is taking concrete steps to mitigate these various risk factors to protect the Company's business.

3. BUY-BACK OF SHARES

The Board at its meeting held on June 6, 2017 approved a proposal for the buy-back of fully paid-up equity shares of face value of Rs.10 each from the equity share holders of the Company for an amount not exceeding Rs.249,999,970. The proposal for the buy-back of equity shares was approved by the shareholders of the Company at their 23rd Annual General Meeting held on August 17, 2017. The Buy-Back offer comprised a purchase of 916,691 equity shares aggregating to 8.33% of the total number of shares comprised in the paid-up share capital of the Company (13.95% aggregate paid up capital and free reserves) at a price of Rs.272.72 per share. The buy-back was offered to all the shareholders of the Company. The Company concluded the buy-back procedure on September 14, 2017 in all respects and 916,689 equity shares were extinguished. The Company has utilized the general reserve for the buy-back of its shares.

The Buy-Back Committee was specifically formed for the purpose of monitoring and approving buy-back process approved by the Board at its meeting held on August 17, 2017 comprising of Mr. Gaurav Motwane, Chairman & Managing Director and Mr. Vivek Patwardhan, Independent Director.

4. COST CONTROL

Cost optimization and effectiveness has been a key pillar of your Company's value creation strategy. This strategy has been achieved through scale in operations, process technology innovations, wastage reduction in the value chain along with efficient management of working capital. Your Company will continue its efforts on cost effectiveness in the coming year. In order to counter the upward trend in indirect costs going into products and inability of OEM customers to compensate the same, the Company continued to improve operational efficiency by increasing review cycle to Weekly Cross Functional Review meetings, Total Productive Maintenance and Group Kaizen.

The cost of power supplied by the State Electricity Board has increased over the past financial year. Several Energy Saving Programs have been undertaken in the Company which has yielded satisfactory results. The management continues to find innovative ways of reducing its energy costs including evaluating sources and investments in renewable energy for its manufacturing requirements.

5. SHARE CAPITAL

During the year under review, the Company bought back 916, 689 (Nine Lakh Sixteen Thousand Six Hundred Eighty Nine) fully paid-up equity shares. Post buy-back, the number of equity shares reduced to 10,083,351 (One Crore Eighty Three Thousand Three Hundred Fifty One).

6. FINANCE

The Company has a term loans amounting to Rs.270.0 Million and working capital facilities availed by the Company from its bankers amounting to Rs.98.4 Million are outstanding as on March 31, 2017.

7. DEPOSITS

The Company has not accepted any fixed deposits including from public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

8. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENT

During the Financial Year ended March 31, 2018, the Company has not given any loan to any person or other body corporate or given any guarantee or provided any security in connection with a loan to any other body corporate or person.

During the year, the Company has not acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

9. RISK MANAGEMENT

The Risk Management Policy as adopted by the Board of Directors of your Company focuses on sustainable business growth of the Company. The risk management systems adopted by the Company at various levels, inter alia, cover business risk, statutory compliances, and environmental risk. The Risk Management system is continuously reviewed at appropriate level and corrections are made wherever required. The Company has taken adequate insurance policies to mitigate different kinds of risk. The safety audit is undertaken regularly. As stated in the previous Board Report, the Second Plant of your Company located at Pithampur, Madhya Pradesh has become fully operational.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has Internal Financial Control Systems commensurate with the size of the Company and the nature of its business. The Internal Financial Control system of the Company covers three levels control viz. entity level, business process level and IT General Control. The Internal Financial Control System as adopted by the Board of Directors of the Company ensures adherence to the Company's policy, the safeguarding of its assets, the prevention of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures. The Company has appointed internal auditors to monitor and evaluate the efficacy and adequacy of internal financial control system in the Company. The Audit Committee and the Board ensures that the said system is adequate considering the nature of business and size of transactions. The Statutory Auditors have also audited the Internal Financial Control System of the Company for the financial year ended March 31, 2018 and opined in their report that 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, 2018. The code of conduct for senior management and employees of the Company commits management to financial and accounting policies, systems and processes. The Company's financial statements are prepared on the basis of significant Accounting policies that are carefully selected by the Management. These accounting policies are reviewed and updated on time to time basis.

10. INDUSTRIAL RELATIONS

Industrial relations during the year were cordial.

11. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Chairman of the Board

Mr. Gaurav Motwane, Managing Director & CEO of the Company who was appointed as Chairman of the Board & Company w.e.f. December 19, 2016, continues to be the Chairman of the Board and the Company.

Re-appointment of Retiring Directors

As per the provisions of the Companies Act, 2013, Mr. Nikhilesh Panchal, Non-Executive Director and Mr. Arvind Khattar, Non-Executive Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment.

Resignation

During the period under review, Mrs. Avaantika Kakkar, Independent Director, tendered her resignation due to her prior commitments from the directorship of the Company with effect from February 14, 2018.

The Board places on record its sincere appreciation for the services rendered by Mrs. Avaantika Kakkar during her tenure in the Company.

Pursuant to provision of Section 149 of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2014 the Company is required to appoint minimum two independent directors on the Board. Due to resignation of Mrs. Avaantika the number of independent directors is reduced to one.

Declaration by Independent Directors

The Company has received necessary declaration from Mr. Vivek Patwardhan, Independent Director under the provisions of Section 149(7) of the Companies Act, 2013, that he meets the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013. The Independent Directors are not liable to retire by rotation.

Number of Meetings of the Board of Directors

During the year under review, the Board met 4 (Four) times i.e. on June 6, 2017; August 17, 2017; November 20, 2017 and February 15, 2018, the details of which are given in Annexure 'B' forming part of this Board Report. The maximum interval between two meetings did not exceed 120 days, as prescribed in Section 173 of the Companies Act, 2013.

12. AUDIT COMMITTEE

The Audit Committee comprises Mr. Vivek Patwardhan and Mr. Gaurav Motwane. Mrs. Avaantika Kakkar ceased to continue as a member of the Audit Committee, consequent to her resignation from the directorship of the Company with effect from February 14, 2018.

During the year under review, the Committee met 5 (Five) times i.e. on June 6, 2017; July 6, 2017; August 17, 2017; November 20, 2017 and February 15, 2018, the details of which are given in Annexure 'B' annexed to this Report.

There were no circumstances requiring reporting where the Board has not accepted the recommendations of the Audit Committee.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVE

Your Company has framed a Corporate Social Responsibility (CSR) Policy in compliance with the provisions of the Companies Act, 2013 and the same is available on the Company's website (*www.msldriveline.com*).

The CSR activities undertaken by your Company primarily focus on education, health, environment and women empowerment. The details of the CSR initiatives undertaken by the Company during the period under review and the amount spent are given in Annexure 'C' forming part of this Board Report.

Presently, the CSR Committee comprises of Mrs. Superna Motwane, Mr. Rajesh Nagpal and Mr. Vivek Patwardhan.

The CSR corpus for the financial year 2017-18 amounted to Rs.8.3 Million. The details of CSR corpus spent on CSR activities approved by the CSR Committee and the Board, including the reason for un-spent amount are mentioned in the Annual Report on CSR which forms part of this Report.

During the year under review, the Committee met 2 (Two) times i.e. on June 6, 2017 and February 13, 2018, details of which are given in Annexure 'B' forming part of this Board Report.

14. NOMINATION & REMUNERATION POLICY & COMMITTEE

The Company has in place a Nomination & Remuneration Committee in accordance with the requirements of Section 178 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014. The Nomination & Remuneration Committee presently comprises Mrs. Superna Motwane and Mr. Vivek Patwardhan. Mrs. Avaantika Kakkar ceased to continue as member of the Committee, consequent to her resignation from the directorship of the Company with effect from February 14, 2018.

The Committee has formulated a Policy on Director's appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees, composition and the criteria for determining qualifications, positive attributes and independence of a Director are given in Annexure 'D' forming part of this Board Report.

During the year under review, the Committee met 1 (One) time i.e. on June 6, 2017 the details of which are given in Annexure 'B' forming part of this Board Report.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, your Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards for the financial year ended March 31, 2018 have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the ***profit*** of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis;
5. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

16. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions with related parties entered into by the Company during the financial year were on arm's length basis and were in the ordinary course of business. The details of the related party transactions as required under Section 188 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in the format prescribed in Form AOC-2 is given in Annexure 'E' forming part of this Board Report.

17. AUDITORS

STATUTORY AUDITORS

Provisions of Section 139 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 mandated rotation of auditors on completion of maximum term permitted under the said section. In line with the requirements of the Companies Act, 2013, SRBC & Co. LLP, Chartered Accountants (Firm Registration Number: 324982E/E300003) ('E & Y') were appointed as the Statutory Auditors to hold office for a period of five consecutive years from the conclusion of the 23rd Annual General Meeting of the Company held on August 17, 2017, till the conclusion of the 28th Annual General Meeting to be held in the year 2022.

The Companies Amendment Act, 2017 has dispensed away with the requirement of ratification of auditors by the members at every annual general meeting by amending the provisions of Section 139 of the Companies Act, 2013, effective from May 7, 2018.

The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer. The attention of members is invited to the observation made by the Auditors under "Emphasis of Matter" appearing in the Auditors Report. The Auditors' Report is enclosed with the financial statements in the Annual Report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 thereunder, Vijay Tiwari & Associates, Practicing Company Secretaries were appointed to conduct the secretarial audit of the Company for the financial year 2017-18. The Secretarial Audit Report for the financial year 2017-18 forms part of the Annual Report as Annexure 'G' to the Board's Report.

The Secretarial Auditors in their report has made comment on non-compliance of the provisions of Foreign Exchange Management Act, 1999. The non-compliance pertains to filing of Annual Performance Report (APR) and Foreign Liabilities and Assets statement (FLA) which has mainly occurred on account of non-availability of financial documents of foreign joint venture companies, corresponding to the Company's financial year. Due to resignation of Mrs. Avaantika Kakkar, Independent Director of the Company, number of independent directors has fallen below the minimum requirement of two as required under Section 149 of the Companies Act, 2013.

The Company has initiated necessary process to make good the default. The process of identification and appointment of new independent director is initiated.

The Board has appointed Vijay Tiwari & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company for financial year 2018-19.

18. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption, and foreign exchange earnings and outgo, as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) the Companies (Accounts) Rules, 2014 are provided in the Annexure 'A' forming part of this Board Report.

19. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended vide notification dated June 30, 2016 issued by the Ministry of Corporate Affairs, Government of India), the names and other particulars of the employees are set out in the Annexure 'F' forming part of this Board Report.

20. EXTRACT OF ANNUAL RETURN

In accordance with the provisions of Section 134(3)(a) of the Companies Act, 2013 as amended vide the Companies (Amendment) Act, 2017, the Annual Return as provided under sub-section (3) of Section 92 of the Companies Act, 2013 in the prescribed Form MGT-7is placed on Company's website at *www.msldriveline.com*.

21. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION

There have been no material changes and commitments which have occurred between the end of the financial year and the date of this report which can have impact on financial position of the Company.

22. SIGNIFICANT AND MATERIAL ORDER

There have been no significant material orders passed by courts, tribunals or regulatory authorities which can have impact on going concern status of the Company and its operations.

23. PREVENTION OF SEXUAL HARASSMENT POLICY

The Company has constituted an Internal Complaint Committee under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year no complaints were filed before the said Committee.

24. ACKNOWLEDGMENTS

The Directors wish to convey their appreciation to all of the Company's employees for their enormous efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers, Government and all the other business associates for the continuous support given by them to the Company and their confidence in its Management and look forward to their continued support in the future.

For and on behalf of the Board

Gaurav Motwane
Chairman, Managing Director & CEO
DIN : 00746165

Vivek Patwardhan
Independent Director
DIN : 07140190

Mumbai
June 5, 2018

Annexure 'A' to the Board's Report

PARTICULARS AS PER ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) THE COMPANIES (ACCOUNTS) RULES, 2014 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

(A) CONSERVATION OF ENERGY

The Company has given due importance for conservation of energy and environmental sustainability. Persistent efforts are made towards achieving this goal by the Company.

(i) The steps taken or impact on conservation of energy:

Energy Conservation Measures taken at the factory at Nasik and Pithampur Plant:

(1) RTPFC (Real Time Power Factor Controller) panel installed for Plant-2 at Nashik.

(2) LED Tube-lights with sensors provided for wash-rooms and staircase in Nashik Plants.

(3) Usage of LED tubes, panel lights, street lights and focus lights continued at both locations.

(4) Energy efficient pumps installed in Export Plant.

(5) Remaining riveting machines modified to run motor only during riveting.

(6) Fixtures in HT Dept modified to accommodate more pieces to increase productivity and reduce energy consumption per piece.

(ii) The steps taken by the Company for utilizing alternate sources of energy:

The Company was exploring solar energy at its Nashik Plant. But it was not feasible on account of cost benefit analysis. As on the date of reporting the Company is not utilizing any alternate sources of energy.

(iii) The capital investment on energy conservation equipments:

During the current financial year capital investment of Rs.28.5 Million were made on energy conservation equipments.

(B) TECHNOLOGY ABSORPTION

(i) The efforts made towards technology absorption:

The Company entered into Technical Collaboration Agreement with IFA-Rotorion, Germany, in 2008-09 for technology absorption for high performance Propeller Shafts. The Company continued to produce Propeller Shafts with this technology with significant local content. Technology absorption is in progress.

The Company entered into a Technical Collaboration Agreement with Hyolim Industrial Company Limited, Korea in 2010-11 for technology for heavy duty Propeller Shafts. These Propeller Shafts for Heavy Commercial Vehicle applications were initially had a high degree of indigenous content whereas presently the indigenous content is 100%.

During the year 2012-13, the Company entered into a Technology Collaboration Agreement with Hyolim Industrial Company Limited, Korea, for Propeller Shaft for specific models of SUVs manufactured in India as a measure of import substitution. Phased localization program for these products is currently under consideration. Customer has Phased out manufacturing of above mentioned SUV.

(ii) The benefits derived like product improvement, cost reduction, product development or import substitution:

By introducing Compact Series in existing series, Company manufactured light weighted Universal Joints and also achieved cost reduction in few specific products manufactured for one of its customer. After this success, Company is planning to propose the similar offer to other customers.

In-House Technology Developments:

The Company has successfully developed and launched products with enhanced reliability and Noise, Vibration & Harshness (NVH) features.

Propeller Shaft

- Design, development, testing and validation for High Torque series UJ kits for LCVs and MCVs segment with enhanced reliability features. High Torque Series is now being commercially used for major OEMs across India.
- Continual weight optimization on existing projects is being done with extensive use of in-house test facility with a target to minimize the use of natural resources.

Clutch

- Pre-damper design Driven plate assembly for with improved NVH features for LCVs & SUVs.
- Cover assembly to support maintenance free clutch operating system.
- Ceramic button type Clutch Driven plate assembly for HCVs with enhanced wear life.
- Pull type Clutch cover assembly for HCVs New product range.
- Low cost alternate source for Non-metallic components for Driven plate assembly.

(iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

(a) The details of technology imported:

Product Drawings, specifications and standards were imported pursuant to Technical Collaboration Agreement entered by the Company for Compact series Propeller Shafts used in Medium Commercial Vehicles and Heavy Commercial Vehicles.

(b) The year of import:

Product Drawings, specifications and standards were imported in the financial year 2013-14 and 2014-15.

(c) Whether the technology been has fully absorbed:

Technology has been partially absorbed and it will be fully absorbed in phased manner. Compact Series for HCV is being currently produced, used in Heavy commercial vehicles. 2040 series was launched first, followed by 2045, the same is tested and ready for launch. We propose to take up development of 2055 and 2060 series in this financial year.

(d) If not fully absorbed, areas where absorption has not taken place, and the reason thereof:

Product development and manufacturing of prototypes is in progress which will be followed by proto sample testing and validation.

(iv) The expenditure incurred on Research and Development:

During the year under review, the Company spent Rs.1.4 Million towards capital investment and Rs.15.0 Million towards revenue expenditure in the Company's R&D Centre. The total amount of Rs.16.4 Million expended in R&D activity during the year was approximately 0.3% of the total revenue of the Company. Gross value of capital investment in the R&D Centre stood at Rs.299.5 Million as at the end of financial year 2018.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

Rs. Million

Particulars	Current Year	Previous Year
Inflow	**948.0**	542.5
Outflow	**839.7**	756.9

Annexure 'B' to the Board's Report

DETAILS OF MEETING OF BOARD OF DIRECTORS OF THE COMPANY AND THEIR COMMITTEES AS PER SECTION 134(3)(b) AND SECRETARIAL STANDARD ON MEETINGS OF THE BOARD OF DIRECTORS (SS-1) (DURING THE FINANCIAL YEAR ENDING ON MARCH 31, 2018)

A] BOARD MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended	Attendance at last AGM
1.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	4 out of 4	Yes
2.	Mr. Satpal Khattar	Non-Executive Director	4 out of 4	Yes
3.	Mrs. Superna Motwane	Non-Executive Director	3 out of 4	Yes
4.	Mr. Nikhilesh Panchal	Non-Executive Director	4 out of 4	Yes
5.	Mr. Rajesh Nagpal	Non-Executive Director	4 out of 4	Yes
6.	Mr. Arvind Khattar	Non-Executive Director	2 out of 4	Yes
7.	Mr. Vivek Patwardhan	Independent Director	4 out of 4	Yes
8.	Mrs. Avaantika Kakkar *(Resigned w.e.f February 14, 2018)*	Independent Director	0 out of 3	No

B] AUDIT COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mr. Vivek Patwardhan	Independent Director	5 out of 5
2.	Mr. Gaurav Motwane	Chairman, Managing Director & CEO	5 out of 5
3.	Mrs. Avaantika Kakkar *(Resigned w.e.f February 14, 2018)*	Independent Director	3 out of 4

C] CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mrs. Superna Motwane	Non-Executive Director	2 out of 2
2.	Mr. Vivek Patwardhan	Independent Director	2 out of 2
3.	Mr. Rajesh Nagpal	Non-Executive Director	2 out of 2

D] NOMINATION & REMUNERATION [NRC] COMMITTEE MEETING

No.	Name of the Director	Category	No. of Meeting(s) Attended
1.	Mr. Vivek Patwardhan	Independent Director	1 out of 1
2.	Mrs. Superna Motwane	Non-Executive Director	1 out of 1
3.	Mrs. Avaantika Kakkar	Independent Director	1 out of 1

Annexure 'C' to the Board's Report

ANNUAL REPORT ON CSR ACTIVITIES

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs.**

   CSR vision of the Company is to integrate social and environmental concerns in its business operations and interactions with all stakeholders in order to achieve a balance of economic, environmental and social imperatives. CSR will remain a fundamental part of the Company's practices, broad objective and overall culture. Company has constituted CSR Committee which recommends CSR activities to the Board for their approval. There is a monitoring team to overview the implementation of CSR activities. The Company implemented its CSR Project through implementing agency by way of contribution. During the year under review, the Company has contributed towards programs encompassing the following areas:

   (a) Education

   (b) Health

   (c) Women Empowerment

   (d) Environment

   (e) Up-liftment of poor

   The Company's CSR Policy is available at *www.msldriveline.com*

2. **The Composition of the CSR Committee.**

   CSR Committee as on March 31, 2018 consists of:

No.	Name of Director	Designation
1.	Mrs. Superna Motwane	Non-Executive Director
2.	Mr. Vivek Patwardhan	Independent Director
3.	Mr. Rajesh Nagpal	Non-Executive Director

3. **Average net profit of the Company for the last three financial years :** Rs.413.1 Million

4. **Prescribed CSR Expenditure (two percent of the amount as in item above) :** Rs.8.3 Million

5. **Details of CSR spent during the financial year:**

   (a) Total amount to be spent for the financial year : Rs.6.24 Million

   (b) Amount unspent, if any : Rs.2.06 Million

(c) Manner in which the amount spent during the financial year is detailed below:

(Rs. Million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR Project or activity identified**	**Sector in which the Project is covered**	**Projects or Programs** (1) Local area or other (2) Specify the state & district where Projects or Programs were undertaken	**Amount outlay (budget) Project or Program wise**	**Amount spent on the Projects or Programs Sub Heads:** (1) Direct Expenditure on Projects and Programs (2) Overheads	**Cumulative expenditure upto to the reporting period.**	**Amount Spent: direct or through imple-menting agency**
1.	Hidush Foundation	Education	Mumbai, Maharashtra	0.30	0.30	0.30	Implemen-ting Agency
2.	Project Nanhi kali	Education	Mumbai, Maharashtra	0.25	0.25	0.25	Implemen-ting Agency
3.	Seva Sadan Society	Women Empowerment	Mumbai, Maharashtra	0.25	0.25	0.25	Implemen-ting Agency
4.	Can Care Trust (Head & Neck Institute of India)	Health	Nashik, Maharashtra	0.20	0.20	0.20	Implemen-ting Agency
5.	Shri Guruji Rugnalaya	Health	Nashik, Maharashtra	3.00	3.00	3.00	Implemen-ting Agency
6.	Vanvasi and Durbal Ghatak Vividh Seva Prakalpa Nyas	Education	Nashik, Maharashtra	0.85	0.85	0.85	Implemen-ting Agency
7.	Avishkar Sikhshan Sanstha	Education	Nashik, Maharashtra	0.19	0.19	0.19	Implemen-ting Agency
8.	Tainwala Foundation	Environment	Nashik, Maharashtra	0.20	0.20	0.20	Implemen-ting Agency
9.	Shri Sewa Bharti Shiksha Samiti	Education / Women Empowerment	Pithampur, Madhya Pradesh	0.61	0.61	0.61	Implemen-ting Agency
10.	Bahuuddeshiya Sewa Samiti	Education/Up-liftment of Poor	Pithampur, Madhya Pradesh	0.24	0.24	0.24	Implemen-ting Agency
11.	AAS India	Education	Pithampur, Madhya Pradesh	0.15	0.15	0.15	Implemen-ting Agency
Total				**6.24**	**6.24**	**6.24**	

Details of Implementing Agency: Project Nanhi kali is implemented by K. C. Mahindra Education Trust, Mumbai. The projects mentioned above (No.1 to 11), except Project Nanhi Kali are implemented by respective NGO's / organizations mentioned in the first column itself.

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:

The CSR Committee had advised certain new initiatives to be undertaken under the CSR Programme of the Company, especially in the heath & education sector. During the journey of the new initiative and in the process of identifying implementation agencies, some portion of the CSR fund amounting to Rs.2.06 Million remained unspent during the year. However, moving forward, the Company endeavors to spend the complete amount allocated towards CSR activities including the unspent amount

For and on behalf of the Board

Gaurav Motwane
Chairman, Managing Director & CEO
DIN : 00746165

Vivek Patwardhan
Independent Director
DIN : 07140190

Mumbai,
5th June, 2018

Annexure 'D' to the Board's Report

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION AS PER SECTION 178(4) OF THE COMPANIES ACT, 2013 IS AS FOLLOWS

The Nomination and Remuneration Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors, KMP and Senior Management and their remuneration. This Policy is accordingly derived from the said Charter.

A] Criteria for Board Membership

Directors

The Company shall take into account following points:

(a) Director must have relevant experience in Finance / Law / Management / Sales / Marketing / Administration / Research / Corporate Governance / Technical Operations / Human Resource or the other disciplines related to Company's business.

(b) Director should posses the highest personal and professional ethics, integrity and values.

(c) Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

Independent Director

Independent Director shall meet all criteria specified in Section 149(7) of the Companies Act, 2013 and rules made thereunder.

B] Remuneration Policy

Directors

Nomination and Remuneration Committee shall recommend the remuneration, including the commission based on the net profits of the Company for the Non-Executive Directors and Whole-time Directors and other Executive Directors.

Remuneration recommended by the Committee shall be subject to approval of the Board and Shareholders.

Prior approval of the Shareholders will be obtained whenever applicable.

Remuneration to Whole-time directors shall be by way of salary, allowances, perquisites and variable pay. Salary is to be paid within the range approved by the Shareholders. Annual increments to be proposed by the Committee should be within the prescribed ceiling approved by the Shareholders. Annual increments as proposed by the Committee shall be subject to approval of the Board.

The remuneration paid to Executive Directors is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance. Perquisites and retirement benefits are paid according to the Company policy.

Non-Executive Directors receive sitting fees for attending meetings of the Board and Board committees. Sitting fees to be recommended by the Committee and to be approved by the Board.

Key Managerial Personnel/other employees

The remuneration to employees largely consists of basic salary, perquisites, allowances and incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to the prescribed statutory ceiling.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification and experience / merits, performance of each employee. The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry.

Employees shall be eligible for loan from the Company, not exceeding twelve times of their basic salary and subject to approval by the Management at such terms and conditions (including rate of interest) deemed appropriate by the Management, considering various factors such as number of years of services, past performance, etc.

The annual variable pay of employees is linked to the performance of the Company.

Annexure 'E' to the Board's Report

PARTICULARS OF CONTRACT OR ARRANGEMENTS WITH RELATED PARTIES AS PER SECTION 134(3)(h) OF THE COMPANIES ACT, 2013

Form No. AOC-2

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

This Form pertains to disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

   There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

2. **Details of material contracts or arrangements or transactions at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts/ arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances, if any
Khaitan & Co. LLP *(Mrs. Avaantika Kakkar**, Director of MSL Driveline Systems Limited, is also a partner of Khaitan & Co. LLP)*	Professional fees	One time	Arm's length transaction	N.A.	Nil
Khaitan & Co. *(Mr. Nikhilesh Panchal, Director of MSL Driveline Systems Limited, is also a partner of Khaitan & Co. LLP and Khaitan & Co.)*	Professional fees	One time	Arm's length transaction	N.A.	Nil
Motwane Consultancy Private Limited *(Mr. Gaurav Motwane and Mrs. Superna Motwane are member and directors in the related party)*	Leasing of property	Ad-hoc	Arm's length transaction Licensee Fee: Rs.700,000 License Term : 3 years	February 13, 2017 - Board Members approval	Nil

** Note:

Mrs. Avaantika Kakkar resigned from the Directorship of the Company w.e.f. February 14, 2018.

For and on behalf of the Board

Gaurav Motwane
Chairman, Managing Director & CEO
DIN : 00746165

Vivek Patwardhan
Independent Director
DIN : 07140190

Mumbai
5th June, 2018

Annexure 'F' to the Board's Report

INFORMATION AS PER SECTION 197 OF THE COMPANIES ACT, 2013, READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 (AS AMENDED VIDE NOTIFICATION DATED JUNE 30, 2017 ISSUED BY MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA) AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2018

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax) Rs. Million	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
Mr. Gaurav Girdhar Motwane *Chairman, Managing Director & CEO*	52.9	Bachelors in Business Administration, Marketing and Entrepreneurial Management from Wharton School, University of Pennsylvania, USA. Exp. 23 years	12.05.2004	46	Expo-point Software Private Limited - Director	*37.96%
Mr. Ranjit Vasant Vadhavkar *Senior Vice President*	8.27	B.E., ACMA & Master of Financial Management, MIE Exp. 37 years	15.03.1990	60	Mahindra & Mahindra Limited - Materials Manager	Nil
Mr. Pradeep Bhagwan Mestry *CFO & Asst. Vice President*	3.89	B.Com, Cost Accountant (CWA) & Chartered Accountant (CA) Exp. 21 years	31.07.2009	47	Associated Capsules Private Limited - DGM Finance	Nil
Mr. Bhushan Shridhar Patwardhan *Asst. Vice President*	3.87	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters in Management Studies Exp. 34 years	16.09.1984	52	Trainee Engineer - Crompton Greaves Limited, Satpur, Nashik	Nil
Mr. Anselm Adam Solomon *Asst. Vice President*	3. 84	Diploma in Mechanical Engineering Exp. 37 years	01.09.1981	60	Government App. - ACC Vikers Babcock Private Limited	Nil
Mr. Waman Vinayak Jain *Asst. Vice President*	3.77	Diploma in Mechanical Engineering Exp. 36 years	16.10.1982	57	MSL Driveline Systems Limited *(Formerly known as Mahindra Sona Limited)* - Joined as a Fresher	Nil
Mr. Sharanabasappa Sidlingappa Lavangad *Asst. Vice President*	3.70	B.E. Exp. 34 years	26.07.1984	57	MSL Driveline Systems Limited *(Formerly known as Mahindra Sona Limited)* - Joined as a Fresher	Nil

Name of Employee, Designation / Nature of Employment, whether contractual or otherwise	Remuneration received (Subject to Income Tax) Rs. Million	Qualification & Experience	Date of Commencement of Employment	Age (Years)	Previous Assignment (Designation / Organisation)	Percentage of equity held in the Company (along with spouse and dependent children) (only if it is 2% or more)
Mr. Subhash Sudhakar Pendke *Dy General Manager*	2.87	B.E. Exp. 30 years	01.09.1988	53	Mahindra & Mahindra Limited, Tractor Division, Kandivali - Shop Floor Engineer	Nil
Mr. Dinesh Jaywant Bhadane *Dy General Manager*	2.64	Licentiate in Mechanical Engineering, Diploma in Business Management & Masters in Mgmt. Studies Exp. 28 years	08.03.1990	54	Graves Cotton & Co. Limited, Satpur, Nashik - Shop Floor Supervisor	Nil
Mr. Nimmagada Satya Sairam *Dy General Manager*	2.54	Diploma in Electronics & Communications Exp. 22 years	08.09.1996	48	TICO Machine Private Limited, Hyderabad - Senior Engineer	Nil

Notes :

1. The remuneration received includes salary, commission, value of perquisites for accommodation and car as per Income Tax Rules, employer's contribution to Provident Fund and Superannuation Fund, reimbursement of medical expenses and all other allowances excluding contribution to gratuity fund and provision for compensated absences for which separate figures are not available.
2. Superna Motwane, spouse of Mr. Gaurav Motwane holds 37.96% Equity Shares in the Company.

Annexure 'G' to the Board's Report

SECRETARIAL AUDIT REPORT PURSUANT TO SECTION 204(1) OF THE COMPANIES ACT, 2013 AND RULE 9 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

The Members,
MSL Driveline Systems Limited
CIN: U30007MH1994PLC081637
(Erstwhile Mahindra Sona Limited)
Unit No.1506, 15th Floor, 'B' Wing, ONE BKC,
Bandra Kurla Complex, Bandra (East),
Mumbai 400 051.

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

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

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

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(iv) The list of other laws applicable to the Company (Under the Major Group and Head)as stated below:

1. The Factories Act, 1960
2. The Industrial (Development & Regulation) Act, 1951
3. Labour Laws and other incidental laws related to labour and employees appointed by the Company as related to wages, gratuity, provident fund, ESIC, compensation etc.
4. Acts prescribed under prevention and control of pollution
5. Acts prescribed under Environmental protection
6. Acts as prescribed under Direct Tax and Indirect Tax
7. Land Revenue Laws
8. Local laws applicable to various branch offices

I have also examined compliance with the applicable clauses of Secretarial Standard issued by the Institute of Companies Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

Company has not filed Annual Return on Foreign Liabilities and Assets (FLA Return) and Annual Performance Report (Form ODI Part II) for the financial year 31st March 2017 with Reserve Bank of India under Foreign Exchange Management Act, 2002. We have been informed that Company has submitted letter along with returns / documents required to be filed under FEMA/RBI regulations with its Authorised Dealer namely ICICI Bank, Nashik seeking its guidance for compounding of offence for non compliance with regards to reporting of investment in JV abroad and transfer of shares of the Company from resident to nonresident shareholder.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors, except stated in the following paragraph. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

As per provisions of Section 149 of the Companies Act, 2013 read with relevant rules, Company is required to appoint two independent directors on the Board of the Company. Till February 2018, the Company had two independent directors. One of the independent directors resigned in February 2018 and thus as on date of reporting, the Company has only one independent director. We have been informed by the management that Company is in process of identifying and appointing a new independent director on the Board of the Company.

Further, due to resignation of Mrs. Avaantika Kakkar, Independent Director of the Company w.e.f. February 14, 2018, the composition of the Audit Committee of the Company fails to comply with the requirements of Section 177 of the Companies Act, 2013.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of events or actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

CS Vijay Tiwari
Vijay S. Tiwari & Associates
ACS No. 33084
C.P. No. 12220

Mumbai
5th June, 2018

Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED *(Formerly known as Mahindra Sona Limited)*

Report on the Ind AS financial statements

We have audited the accompanying Ind AS financial statements of MSL Driveline Systems Limited (Formerly Known as Mahindra Sona Limited) ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of 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 Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018,its profit including other comprehensive income, its cash flows and changes in equity for the year ended on that date.

Other Matter

The Ind AS financial statements of the Company for the year ended March 31, 2017, included in these Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on 6th June, 2017.

Report on Other Legal and Regulatory Requirements

(1) As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure 1" 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 purpose of our audit;

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

(c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

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

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report dated 5th June 2018 in "Annexure 2" 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 disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer Note 28 to the Ind AS 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 **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
5th June, 2018

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED (Formerly known as Mahindra Sona Limited)

(Annexure 1 referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date)

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment/ fixed assets are held in the name of the company.

(ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at March 31 2018 and no material discrepancies were noticed in respect of such confirmations.

(iii) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of Section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under Section 148(1) of the Companies Act, 2013, for the products/services of the Company.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in '000)	Unpaid Amount (Rs. in '000)
Central Excise Act, 1944	Excise Duty	Appellate Authority upto Commissioner Level	1996-1997	12.9	12.9
			1997-1998	55.0	55.0
		Additional Commissioner of Central Excise	1997-1998	2.0	2.0
			1999-2000	2.4	2.4
			2007-2008	1,048.1	1,048.1
		Appellate Authority upto Commissioner Level	2000-2005	17,131.1	17,131.1
Finance Act, 1994	Service Tax	Appellate Authority upto Central Excise & Service Tax Appellate Tribunal	2004–2006	997.7	997.7
			2011-2013	84.6	84.6
		Appellate Authority upto Commissioner Level	2006–2016	5,996.0	5,913.2
		Deputy Commissioner- Central GST & CX Nashik	2016-2017	2,495.5	2,495.5
Maharashtra Value Added Tax, 2002	Value added tax	Deputy Commissioner of Sales Tax	2012–2013	400.0	400.0
Income-tax Act, 1961	Income-tax	Assessing officer	2008-2009 to 2014-2015	28,664.7	9,941.7

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by term loans for the purposes for which they were raised. The Company has not raised any money by way of initial public offer/further public offer (including debt instruments) during the year.

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

(xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.

(xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
5th June, 2018

ANNEXURE "2" TO THE INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MSL DRIVELINE SYSTEMS LIMITED (Formerly known as Mahindra Sona Limited)

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE Ind AS FINANCIAL STATEMENTS OF MSL DRIVELINE SYSTEMS LIMITED

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

We have audited the internal financial controls over financial reporting of MSL Driveline Systems Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS 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 with reference to these Ind AS financial statements 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 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 with reference to these Ind AS financial statements 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 over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.

Meaning of Internal Financial Controls over Financial Reporting with Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these Ind AS financial statements 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 with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting with Reference to these Ind AS Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements 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, adequate internal financial controls over financial reporting with reference to these Ind AS financial statements and such internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per **Dolphy D'Souza**
Partner
Membership Number : 038730

Mumbai,
5th June, 2018

Balance Sheet as at 31st March 2018

Rs. Million

Particulars			Note	As at 31st March, 2018	As at 31st March, 2017
ASSETS					
Non-current assets :					
(a) Property, plant and equipment			3(a)	**890.6**	896.0
(b) Capital work-in-progress				**0.5**	1.3
(c) Other intangible assets			3(b)	**12.7**	9.1
(d) Intangible assets under development				**2.1**	4.3
(e) Financial assets : Others			6	**13.9**	10.1
(f) Other non-current assets			7	**86.0**	81.9
Total non-current assets				**1,005.8**	1,002.7
Current assets :					
(a) Inventories			8	**876.2**	551.6
(b) Financial assets :	(i)	Investments	4	**-**	0.4
	(ii)	Trade receivables	9	**1,624.7**	1,238.5
	(iii)	Cash and cash equivalents	5(a)	**119.5**	87.3
	(iv)	Bank balances other than (iii) above	5(b)	**-**	90.0
	(v)	Others	6	**0.5**	2.1
(c) Other current assets			7	**88.3**	104.4
Total current assets				**2,709.2**	2,074.3
Total assets				**3,715.0**	3,077.0
EQUITY AND LIABILITIES					
EQUITY :					
(a) Equity share capital			10(a)	**100.8**	110.0
(b) Other equity			10(b)	**1,748.3**	1,682.4
Total equity				**1,849.1**	1,792.4
LIABILITIES :					
Non-current liabilities					
(a) Financial liabilities :	(i)	Borrowings	11	**134.1**	258.3
	(ii)	Trade payables	12	**64.0**	53.8
(b) Provisions			13	**6.9**	4.5
(c) Deferred tax liabilities (Net)			14(c)	**93.9**	95.2
Total non-current liabilities				**298.9**	411.8
Current liabilities					
(a) Financial liabilities:	(i)	Borrowings	11	**98.4**	–
	(ii)	Trade payables	12	**1,185.9**	679.7
	(iii)	Other financial liabilities	16	**157.1**	72.2
(b) Other current liabilities			17	**34.1**	50.6
(c) Provisions			13	**62.9**	65.5
(d) Current tax liabilities (Net)			15	**28.6**	4.8
Total current liabilities				**1,567.0**	872.8
Total equity and liabilities				**3,715.0**	3,077.0
Summary of significant accounting policies			2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Per Dolphy D'Souza
Partner
Membership No. 038730
Mumbai, June 05, 2018

For and on behalf of the Board of Directors
MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited)

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Vivek Patwardhan
Independent Director
(DIN 07140190)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, June 05, 2018

Statement of Profit and Loss for the year ended 31st March, 2018

Rs. Million

Particulars	Note	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Revenue from operations	18	**5,639.5**	4,925.8
Other income	19	**18.9**	19.6
Finance income	20	**5.2**	5.8
Total revenue		**5,663.6**	4,951.2
Expenses			
(a) Cost of raw materials and components consumed	21(a)	**3,866.4**	2,975.3
(b) Purchase of stock-in-trade	21(b)	**49.2**	74.9
(c) (Increase)/Decrease in inventories of finished goods & work-in-progress	21(c)	**(242.3)**	(19.8)
(d) Excise duty on sale of goods (including scrap sales)	18(i)	**130.5**	508.2
(e) Employee benefits expense	22	**535.1**	466.4
(f) Finance costs	23	**25.1**	33.2
(g) Depreciation and amortisation expense	24	**103.9**	85.0
(h) Other expenses	25	**633.3**	488.1
Total Expenses		**5,101.2**	4,611.3
Profit before tax		**562.4**	339.9
Tax expense : (1) Current tax	14(a)	**191.0**	96.5
(2) Deferred tax	14(a)	**1.6**	17.6
(3) Current tax credit (net) relating to prior years		**–**	(9.4)
Total tax expense		**192.6**	104.7
Profit for the year		**369.8**	235.2
Other comprehensive income :			
(i) Items that will not be reclassified to profit or loss			
– Remeasurement of the defined benefit obligation	26	**(8.3)**	(2.1)
(ii) Income tax relating to items that will not be reclassified to profit or loss	14(b)	**2.9**	0.7
Other comprehensive income for the year, net of tax		**(5.4)**	(1.4)
Total comprehensive income for the year		**364.4**	233.8
Earnings per equity share (in Rs.) – Basic & Diluted	32	**35.18**	21.38
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Per Dolphy D'Souza
Partner
Membership No. 038730
Mumbai, June 05, 2018

For and on behalf of the Board of Directors
MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited)

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Vivek Patwardhan
Independent Director
(DIN 07140190)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, June 05, 2018

Cash Flow Statement for the year ended 31st March 2018

Rs. Million

		For the year ended 31st March, 2018		For the year ended 31st March, 2017	
A	**Cash flow from operating activities:**				
	Profit before tax for the year		**562.4**		340.0
	Adjustments for:				
	Depreciation and amortisation expense	**103.9**		85.0	
	Loss on sale/write off of property, plant and equipment (net)	**2.4**		1.6	
	Provision for diminution in value of investments	**0.4**		–	
	Provision for doubtful debts	**7.1**		1.8	
	Finance costs	**25.1**		33.2	
	Interest income	**(4.4)**		(4.4)	
	Dividend income	**(0.8)**		(1.4)	
	Net unrealised exchange loss/(gain)	**(3.5)**		0.8	
			130.2		116..6
	Operating Profit before Working Capital Changes		**692.6**		456.6
	Changes in working capital:				
	Adjustments for (increase)/decrease in operating assets:				
	Inventories	**(324.6)**		(38.2)	
	Trade receivables	**(382.7)**		(110.2)	
	Other assets	**14.7**		(2.2)	
	Trade payables	**514.5**		51.3	
	Provisions	**(1.1)**		(5.1)	
	Other liabilities	**(25.2)**		(5.3)	
			(204.4)		(109.7)
	Cash generated from operations		**488.2**		346.9
	Net income tax (paid)		**(169.8)**		(109.5)
	Net cash flow from operating activities (A)		**318.4**		237.4

Contd...

Rs. Million

			For the year ended 31st March, 2018		For the year ended 31st March, 2017
B.	**Cash flow from investing activities:**				
	Purchase of Property, plant and equipments		**(115.7)**		(250.3)
	Proceeds from disposal of Property, plant and equipments		**1.7**		1.3
	Fixed Deposits matured		**90.0**		–
	Fixed Deposits taken		**–**		(25.0)
	Purchase of current investments		**(690.0)**		(610.0)
	Sale of current investments		**690.0**		610.0
	Interest received		**5.8**		3.8
	Dividend received		**0.8**		1.4
	Net cash used from investing activities (B)		**(17.4)**		(268.8)
C	**Cash flow from financing activities :**				
	(Repayment of)/Proceeds from long term borrowings		**(30.1)**		200.0
	Interest paid		**(28.8)**		(22.2)
	Buy back of Shares (Including tax on buy back)		**(307.7)**		–
	Dividends paid		**–**		(118.8)
	Tax on dividend		**–**		(24.2)
	Net cash flow from/used in financing activities (C)		**(366.6)**		34.8
	Net (decrease)/increase in Cash and cash equivalents (A+B+C)		**(65.6)**		3.4
	Cash and cash equivalents at the beginning of the year		**87.3**		84.9
	Add: Effect of exchange differences on restatement of foreign currency Cash and cash equivalents		**–**		(1.0)
	Cash and cash equivalents at the end of the year		**21.7**		87.3
Reconciliation of Cash and cash equivalents with the Balance Sheet:					
Cash and cash equivalents as per Balance Sheet					
1	Cash in Hand [Refer Note 5(a)(b)]:		**0.2**		0.4
2	Loan repayable on demand [Refer Note 11]	**(97.8)**			
3	Balances with Banks : [Refer Note 5(a)(a)]:				
	i) In current accounts	**89.2**		85.2	
	ii) EEFC account	**30.1**		1.7	
			21.5		86.9
			21.7		87.3

Cash flow statement has been prepared as per the indirect method set out in Indian Accounting Standard 7 "Statement of Cash Flows".

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Per Dolphy D'Souza
Partner
Membership No. 038730
Mumbai, June 05, 2018

For and on behalf of the Board of Directors
MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited)

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Vivek Patwardhan
Independent Director
(DIN 07140190)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, June 05, 2018

Statement of Changes in Equity for the year ended March 31, 2018

(A) Equity Share Capital :

Particulars	No. in Million	Rs. Million
a. Equity Share Capital:		
Equity shares of INR 10 each issued, subscribed and fully paid as at 1st April, 2017	11.0	110.0
Buy back of shares [Note No.10(a)]	(0.9)	(9.2)
Balance as at 31st March, 2018	**10.1**	**100.8**

(B) Other equity for the year ended March 31, 2018

Rs. Million

Particulars	**Capital reserve**	**Capital Redemption reserve**	**General reserve**	**Retained earnings**	**Total**
Balance as at 1st April, 2016	2.0	–	239.6	1,350.0	1,591.6
Profit for the year	–	–	–	235.2	235.2
Other comprehensive income (net of tax)	–	–	–	(1.4)	(1.4)
Dividend paid on equity shares (Rs.27 per share)	–	–	–	(118.8)	(118.8)
Dividend distribution tax	–	–	–	(24.2)	(24.2)
Balance as at 31st March, 2017	2.0	–	239.6	1,440.8	1,682.4
Balance as at 1st April, 2017	**2.0**	**–**	**239.6**	**1,440.8**	**1,682.4**
Profit for the year	**–**	**–**	**–**	**369.8**	**369.8**
Other comprehensive income (net of tax)	**–**	**–**	**–**	**(5.4)**	**(5.4)**
Buy back of Shares	**–**	**–**	**–**	**(240.8)**	**(240.8)**
Tax on Buy back of Shares	**–**	**–**	**–**	**(57.7)**	**(57.7)**
Transfer from Retained Earnings	**–**	**9.2**	**–**	**–**	**9.2**
Transfer to Capital Redemption Reserve	**–**	**–**	**–**	**(9.2)**	**(9.2)**
Balance as at 31st March, 2018	**2.0**	**9.2**	**239.6**	**1,497.5**	**1,748.3**

See accompanying notes forming part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors
MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited)

For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Vivek Patwardhan
Independent Director
(DIN 07140190)

Per Dolphy D'Souza
Partner
Membership No. 038730

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, June 05, 2018

Mumbai, June 05, 2018

Notes forming part of the financial statements

Note 1 CORPORATE INFORMATION

MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited) (the company) is a public company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The Company is a closely held company. The registered office of the Company is located at Unit 1506, 15th floor, One BKC, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

The Company is engaged in manufacturing and selling of Auto Components including Clutch and Universal Joint. The Company caters to both domestic and international markets. The Company also trades in steel and metal.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The financial statements have been prepared on accrual basis and under historical cost basis, except for the following assets and liabilities which have been measured at fair value:

– Derivative financial instruments

– Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments),

The financial statements are presented in Indian Rupee ('INR') which is also the Company's functional currency and all values are rounded to the nearest Million, except when otherwise indicated.

Taxes

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which the tax determination is made.

The assessment of probability involves estimation of a number of factors including future taxable income.

Defined benefit plans (gratuity benefits)

A liability in respect of defined benefit plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the plan’s assets. The present value of the defined benefit obligation is based on expected future payments which arise from the fund at the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service. Refer note 29 for details of the key assumptions used in determining the accounting for these plans.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provision against obsolete and slow-moving inventories

The Company reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Company estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review at each balance sheet date and makes provision against obsolete and slow-moving items. The Company reassesses the estimation on each balance sheet date.

Notes forming part of the financial statements

Impairment of financial assets

The Company assesses impairment based on expected credit losses (ECL) model on trade receivables.

The Company uses a provision matrix to determine impairment loss allowance on the portfolio of trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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 fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

2.2 Summary of 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
- 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.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

b. Foreign currencies

The Company's financial statements are presented in INR, which is also the company's functional currency.

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. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Notes forming part of the financial statements

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 recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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.

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

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

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

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

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

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

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

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as properties and unquoted financial assets, and significant liabilities.

At each reporting date, the Company's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company's management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Notes forming part of the financial statements

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.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- ► Quantitative disclosures of fair value measurement hierarchy (note 37)
- ► Financial instruments (including those carried at amortised cost) [note 4, 5(a), 5(b), 6, 9, 10(a), 10(b), 11, 12 and 16].

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

Based on the Educational Material on Ind AS 18 issued by the ICAI, the Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty.

However, sales tax/ value added tax (VAT) / Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company provides normal warranty provisions for general repairs for two years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold – see Note 13 for more information. The Company does not provide any extended warranties or maintenance contracts to its customers.

Interest income

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

Dividends

Revenue is recognised when the Company's right to receive the payment is established.

e. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Notes forming part of the financial statements

f. Export Benefits:

The benefit accrued under the Duty Drawback, Merchandise Export Incentive Scheme and other schemes as per the Import and Export Policy in respect of exports made under the said schemes is included as 'Export Incentives' under the head 'Other operating revenue'.

g. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities in accordance with the Income-tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised 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 recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales/ value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/ value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

h. Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment loss, if any. Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment, if any. Cost includes financing cost relating to borrowed funds attributable to the construction or acquisition of qualifying tangible assets up to the date assets are ready for use. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes forming part of the financial statements

The Company had taken previous GAAP carrying value for all of its Property, Plant and Equipment and Intangible Assets as of 1st April, 2015 (transition date) as deemed cost.

When an item of property, plant and equipment is scrapped or otherwise disposed off, the cost and related depreciation are removed from the books of account and resultant profit or loss, if any, is reflected in the Statement of Profit and Loss.

The company, based on technical assessment made by technical expert and management estimate, depreciates certain items of plant and equipment over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

The estimated useful lives, residual values, are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated on Straight Line method over the estimated useful life of all assets. These lives are in accordance with Schedule II to the Companies Act, 2013.

Estimated useful life of the assets are as follows:

Nature of tangible Assets	Useful Life (years)
Buildings	28- 30
Plant and equipment	3 to 15
Furniture and fixtures	10
Vehicles	8
Office equipment	5-10
Lease improvement	Over the period of lease

i. **Intangible assets:**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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.

Notes forming part of the financial statements

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Company's intangible assets is, as follows:

Intangible assets	Useful lives	Amortisation method used	Internally generated or acquired
Computer Software	Finite (3 years)	Amortised on a straight-line basis over the useful life	Acquired
Development costs	Finite (5 years)	Amortised on a straight-line basis over the useful life	Internally generated

j. 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Notes forming part of the financial statements

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

k. 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 capitalised 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 and other costs 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.

l. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs (See note 2.2.k). Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Notes forming part of the financial statements

m. Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials, Stores and spares, packing materials: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on on moving weighted average basis. However, the aforesaid items are not valued below cost if the finished products in which they are to be incorporated are expected to be sold at or above cost.
- Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Cost is determined on moving weighted average basis.
- Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

n. Provisions

General

Provisions are recognised 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 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 recognised 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

o. Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

Superannuation Fund is a defined contribution scheme and contributions to the scheme are charged to the statement of profit and loss in the year when an employee renders the related service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company operates a defined benefit gratuity plan, which requires contributions to be made to a separately administered fund. Every employee who has completed five years or more of service get a gratuity on post-employment at 15 days salary (last drawn salary) for each completed year of service as per the rules of the Company. The aforesaid liability is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The Company has other long-term employee benefits in the nature of leave encashment. The liability in respect of leave encashment is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of the financial year. The aforesaid leave encashment is funded with an insurance Company in the form of a qualifying insurance policy.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

p. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A ‘debt instrument’ is measured at the amortised cost if both the following conditions are met:

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

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instrument at FVTOCI

A ‘debt instrument’ is classified as at the FVTOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset’s contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Notes forming part of the financial statements

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

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

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) 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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., deposits and trade receivables.
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind-AS 18.

Notes forming part of the financial statements

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- Other Receivable

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

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

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

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'finance cost' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and other receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives as appropriate.

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Notes forming part of the financial statements

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

Derecognition

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

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Offsetting of financial instruments

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

q. Derivative financial instruments

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, full currency swaps and interest rate swaps contracts to hedge its foreign currency risks and interest rate risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Notes forming part of the financial statements

r. 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, loan repayable on demand (from bank) and net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

s. Cash dividend

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

t. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the company (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

u. Contingent Liability and Contingent assets

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 not wholly within 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.

A contingent assets is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Contingent liabilities and contingent assets are reviewed at each balance sheet date.

v. Standards issued but not yet effective

IND AS 115 - Revenue from Contracts with Customers

In March 2018, the Ministry of Corporate Affairs had notified Ind AS 115 (Revenue from Contracts with Customers) which would be applicable to the company for accounting periods beginning on or after 1 April 2018.This Standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company is evaluating the requirements of the standard and its impact on its financial statements.

Following are the amendments which are not applicable to the entity and hence are not included in the above accounting policy:

- Amendments to Ind 112 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in Ind AS 112
- Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to Ind AS 40 - Transfers of Investment Property
- Ind AS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

Notes forming part of the financial statements

Note 3 (a) Property, Plant and Equipment

Rs. Million

Description of Assets	Buildings	Plant and equip-ment	Furniture and fixtures	Vehicles	Office equip-ment	Lease improve-ment	**Total**
I. Cost							
Balance as at 1st April, 2017	290.3	1,145.5	24.3	19.5	7.0	7.8	**1,494.4**
Additions	–	68.8	3.5	15.1	1.5	10.0	**98.9**
Disposals	–	(9.3)	(0.2)	(5.8)	–	–	**(15.3)**
Balance as at 31st March, 2018	**290.3**	**1,205.0**	**27.6**	**28.8**	**8.5**	**17.8**	**1,578.0**
II. Accumulated depreciation							
Balance as at 1st April, 2017	52.8	520.7	8.5	10.1	4.9	1.4	**598.4**
Depreciation expense for the year	10.1	81.3	2.4	2.5	0.9	3.1	**100.3**
Eliminated on disposal of assets	–	(7.2)	(0.1)	(4.0)	–	–	**(11.3)**
Balance as at 31st March, 2018	**62.9**	**594.8**	**10.8**	**8.6**	**5.8**	**4.5**	**687.4**
Net Book Value (I – II)							
Balance as at 31st March, 2018	**227.4**	**610.2**	**16.8**	**20.2**	**2.7**	**13.3**	**890.6**
Balance as at 31st March, 2017	237.5	624.8	15.8	9.4	2.1	6.4	896.0

Description of Assets	Buildings	Plant and equip-ment	Furniture and fixtures	Vehicles	Office equip-ment	Lease improve-ment	**Total**
I. Cost							
Balance as at 1st April, 2016	205.0	954.8	23.8	22.3	6.5	–	1,212.4
Additions	**85.3**	**193.7**	**3.2**	**1.1**	**0.6**	**7.8**	**291.7**
Disposals	–	**(3.0)**	**(2.7)**	**(3.9)**	**(0.1)**	–	**(9.7)**
Balance as at 31st March, 2017	**290.3**	**1,145.5**	**24.3**	**19.5**	**7.0**	**7.8**	**1,494.4**
II. Accumulated depreciation							
Balance as at 1st April, 2016	45.1	458.8	7.7	9.5	4.1	–	525.2
Depreciation expense for the year	**7.7**	**64.9**	**2.5**	**2.6**	**0.9**	**1.4**	**80.0**
Eliminated on disposal of assets	–	**(3.0)**	**(1.7)**	**(2.0)**	**(0.1)**	–	**(6.8)**
Balance as at 31st March, 2017	**52.8**	**520.7**	**8.5**	**10.1**	**4.9**	**1.4**	**598.4**
Net Book Value (I – II)							
Balance as at 31st March, 2017	**237.5**	**624.8**	**15.8**	**9.4**	**2.1**	**6.4**	**896.0**
Balance as at 1st April, 2016	159.9	496.0	16.1	12.8	2.4	–	687.2

1. The amount of borrowing costs capitalised during the year ended 31st March 2018 was Nil (31st March 2017 Rs.1.28 Million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 9.16% which is the effective interest rate of the specific borrowing of the previous year.

2. Refer note 11 for details of security.

Notes forming part of the financial statements

Note 3 (b) Other Intangible Assets :

Rs. Million

Description of Assets	Computer software – acquired	Internally generated : development expenditure	Total
I. Cost			
Balance as at 1st April, 2017	27.5	7.9	35.4
Additions	3.5	3.6	7.1
Disposals	–	–	–
Balance as at 31st March, 2018	**31.0**	**11.5**	**42.5**
II. Accumulated amortisation			
Balance as at 1st April, 2017	24.8	1.5	26.3
Amortisation expense for the year	1.7	1.8	3.5
Eliminated on disposal	–	–	–
Balance as at 31st March, 2018	**26.5**	**3.3**	**29.8**
Net Book Value (I – II)			
Balance as at 31st March, 2018	**4.5**	**8.2**	**12.7**
Balance as at 31st March, 2017	**2.7**	**6.4**	**9.1**

Rs. Million

Description of Assets	Computer software – acquired	Internally generated : development expenditure	Total
I. Cost			
Balance as at 1st April, 2016	24.8	5.8	30.6
Additions	2.7	2.1	4.8
Disposals	–	–	–
Balance as at 31st March, 2017	**27.5**	**7.9**	**35.4**
II. Accumulated amortisation			
Balance as at 1st April, 2016	21.2	0.1	21.3
Amortisation expense for the year	3.6	1.4	5.0
Eliminated on disposal	–	–	–
Balance as at 31st March, 2017	**24.8**	**1.5**	**26.3**
Net Book Value (I – II)			
Balance as at 31st March, 2017	**2.7**	**6.4**	**9.1**
Balance as at 1st April, 2016	3.6	5.7	9.3

Notes forming part of the financial statements

Note 4 Investments :

Particulars	As at 31st March, 2018		As at 31st March, 2017	
	Nos.	**Rs. Million**	Nos.	Rs. Million
Current				
Investments at cost				
Investments in Equity Instruments				
Investments in associates				
i) US $ 1 per share in Sona Autocomp Inc. (fully paid unquoted investment)	**24,000**	**1.4**	24,000	1.4
Less: Provision for diminution in value of investment		**(1.4)**		(1.4)
Net Value (A)		**–**		–
ii) EURO 1 per share in Sona Autocomp Europe (fully paid unquoted investment)	**12,000**	**0.4**	12,000	0.4
Less: Provision for diminution in value of investment		**(0.4)**		–
Net Value (B)		**–**		0.4
Total (A + B)		**–**		0.4

Sona Autocomp Inc and Sona Autocomp Europe has been dissolved in FY 2013-14 and FY 2014-15 respectively. The Company is not expecting any recoverability from the investments made post dissolution and has been fully provided in the books of accounts. The Company is in process of completing formalities with Authorised Dealers/Reserve Bank of India in connection with the investments made in the said associate companies.

Note 5 (a) Cash and Cash Equivalents :

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
(a) Balances with banks:		
i) in current accounts	**89.2**	85.2
ii) EEFC account	**30.1**	1.7
(b) Cash in hand	**0.2**	0.4
Total	**119.5**	87.3

(b) Other Bank Balances

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non-current	Current	Total	Non-current	Current	Total
In deposit accounts :						
Fixed deposits with original maturity greater than 3 months	–	–	–	–	90.0	90.0
Total	–	–	–	–	90.0	90.0

Notes forming part of the financial statements

For the purpose of statement of cash flows, cash and cash equivalents comprises the following:

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
(a) Balances with banks :		
i) in current accounts	**89.2**	85.2
ii) EEFC account	**30.1**	1.7
iii) Earmarked deposit *	**–**	–
(b) Cash in hand	**0.2**	0.4
Total	**119.5**	87.3
Less : Loan Repayable on demand(net of revaluation loss)	**(97.8)**	–
Total Cash and Cash equivalents	**21.7**	87.3

* Represents fixed deposit of **Rs.75,000** (31st March 2017: Rs.75,000) in the name of - CTO CIRCLE PITHAMPUR A/C MAHINDRA SONA LIMITED for 5 years towards Madhya Pradesh Central Sales Tax Registration.

Note 6 Other Financial Assets (Unsecured, considered good unless otherwise mentioned)

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non-current	**Current**	**Total**	Non-current	Current	Total
Financial assets at amortised cost						
Interest accrued but not due on deposits	**–**	**0.5**	**0.5**	–	2.1	2.1
Security deposits	**13.9**	**–**	**13.9**	10.1	–	10.1
Total	**13.9**	**0.5**	**14.4**	10.1	2.1	12.2

Break up of financial assets carried at amortised cost

Rs. Million

	As at 31st March, 2018	As at 31st March, 2017
Trade Receivables (Note 9)	**1,624.7**	1,238.5
Cash and cash equivalents (Note 5)	**21.7**	87.3
Other	**14.4**	12.2
Total Financial assets carried at amortised cost	**1,660.8**	1,338.0

Notes forming part of the financial statements

Note 7 **Other Non–current and Current Assets**

Rs. Million

Particulars		As at 31st March, 2018			As at 31st March, 2017		
		Non–current	Current	Total	Non–current	Current	Total
(a)	Capital Advances :						
	Unsecured, considered good	11.0	–	11.0	4.7	–	4.7
(b)	Security deposits :						
	Unsecured, considered good	2.2	–	2.2	2.2	–	2.2
(c)	Balances with statutory / government authorities (other than income taxes) :						
	CENVAT credit receivable (Refer Note 31)	–	7.9	7.9	–	5.2	5.2
	VAT receivable (Refer Note 31)	–	0.5	0.5	–	24.8	24.8
	Service tax credit receivable (Refer Note 31)	–	6.0	6.0	–	1.1	1.1
(d)	Advance income tax (net of provision)	28.9	0.9	29.8	28.9	0.9	29.8
(e)	Prepayments (Refer Note a below)	43.9	12.3	56.2	46.1	10.6	56.7
(f)	Deferred CENVAT credit receivable (Refer Note 31)	–	0.5	0.5	–	10.8	10.8
(g)	Others						
	(i) Insurance claims / Export benefits	–	41.5	41.5	–	31.2	31.2
	(ii) Advance to suppliers and others	–	18.7	18.7	–	19.8	19.8
	Total	86.0	88.3	174.3	81.9	104.4	186.3

Note (a) : Prepayments

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non–current	Current	Total	Non–current	Current	Total
Lease Rent	37.4	1.3	38.7	38.7	1.3	40.0
Others	6.5	11.0	17.5	7.4	9.3	16.7
Total	43.9	12.3	56.2	46.1	10.6	56.7

Note 8 **Inventories (Valued at lower of cost and net realisable value)**

Rs. Million

Particulars		As at 31st March, 2018	As at 31st March, 2017
(a)	Raw materials	228.9	133.7
(b)	Work-in-progress	395.0	250.3
(c)	Finished goods	214.5	135.3
(d)	Stores and spares	8.5	5.4
(e)	Loose tools	29.3	26.9
	Total	876.2	551.6
ıcluded above, goods-in-transit			
	Raw materials	45.9	3.5
	Finished goods	185.5	91.1

Notes forming part of the financial statements

Notes:

(i) The cost of inventories recognised as an expense during the year **Rs.3,673.3 Million** (31st March 2017: Rs.3,030.4 Million).

(ii) The cost of inventories recognised as an expense during the year ended 31st March, 2018 includes **Rs.7.4 Million** [2017: Rs.(3.9) Million] in respect of provision for slow and non moving inventory and write-down of inventory to net realisable value.

(iii) Imprecation of excise duty was applicable for period's upto 30 June 2017, From 1 July 2017, the GST regime has been introduced. Excise duty was levied on manufacture of goods while GST will be levied on supply of goods and services. Value of finished goods in the previous year includes excise duty amounting to Rs.18 Million while in the current year GST is not included in the value of Inventories. In view of the aforesaid change in indirect taxes, inventory at the year ended 31 March 2018 is not comparable, to the extent of difference in indirect taxes, with inventory for the year ended 31 March 2017.

Note 9 Trade Receivable

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Unsecured, considered good		
Trade Receivables from others	**1,624.7**	1,238.5
Unsecured, considered doubtful		
Trade Receivables from others	**13.6**	5.8
Allowance for doubtful debts	**(12.9)**	(5.8)
Allowance for Expected credit loss	**(0.7)**	-
Total	**1,624.7**	**1,238.5**

(i) No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

(ii) The Company is engaged in manufacturing and selling of Propeller shafts, Components & Clutch which are customer specific. Credit period varies from customer to customer. Average credit period is 30 - 150 days in respect of export customers and 30 - 90 days generally from the date of receipt of goods in respect of domestic customers.

Note 9 (a) Movement in the expected credit loss

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Balance at beginning of the year	**–**	–
Expected credit loss allowance on trade receivables	**0.7**	–
Reversal of Expected credit losses on trade receivables	**–**	–
Balance at end of the year	**0.7**	–

Notes forming part of the financial statements

Note 10 (a) Equity Share Capital

Particulars		Nos.	Rs. Million
A)	**Authorised:**		
	Equity shares of Rs.10 each		
	As at 1st April 2016	1,70,00,000	170.0
	Increase/(decrease) during the year	–	–
	As at 31st March 2017	1,70,00,000	170.0
	Increase/(decrease) during the year	–	–
	As at 31st March 2018	**1,70,00,000**	**170.0**
B)	**Issued equity shares :**		
	Equity Shares of Rs.10 each issued, subscribed and fully paid		
	As at 1st April 2016	1,10,00,004	110.0
	Increase/(decrease) during the year	–	–
	As at 31st March 2017	1,10,00,004	110.0
	Buy-back during the year	(9,16,689)	(9.2)
	As at 31st March 2018	**1,00,83,315**	**100.8**

1. The Company has bought back 916,689 shares during the year ended 31st March, 2018 at buy-back price determined at Rs.272.72 per share which was approved by the board of directors and shareholders of the Company dated 6th June 2017 and 17th August 2017 respectively.

The Company has not allotted any equity shares pursuant to contracts without payment being received in cash, nor any shares been bought back during the period of five years immediately preceding the current year.

2. **Terms/rights attached to equity shares**

The Company is having only one class of equity shares having par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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

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

Particulars	**As at 31st March, 2018**		As at 31st March, 2017	
	Nos.	**% Holding**	Nos.	% Holding
MSona Automotive Components Private Limited	**37,58,327**	**37.3%**	41,00,003	37.3%
Ms. Superna Motwane	**37,96,857**	**37.7%**	40,87,490	37.2%
Khattar Holdings Private Limited	**14,47,250**	**14.4%**	14,47,250	13.2%
Satpal Khattar	**4,48,956**	**4.5%**	5,79,000	5.3%

Notes forming part of the financial statements

Note 10 (b) Other Equity :

Rs. Million

Particulars	Capital reserve	General reserve	Capital Redemption Reserve	Retained earnings	Total
Balance as at 1st April, 2016	2.0	239.6	–	1,350.0	1,591.6
Profit for the year	–	–	–	235.2	235.2
Other comprehensive income (net of tax)	–	–	–	(1.4)	(1.4)
Dividend paid on equity shares (Rs.27 per share)	–	–	–	(118.8)	(118.8)
Dividend distribution tax	–	–	–	(24.2)	(24.2)
Balance as at 31st March, 2017	2.0	239.6	–	1,440.8	1,682.4
Balance as at 1st April, 2017	2.0	239.6	–	1,440.8	1,682.4
Profit for the year	–	–	–	369.8	369.8
Other comprehensive income (net of deferred income tax)	–	–	–	(5.4)	(5.4)
Buy back Shares	–	–	–	(240.8)	(240.8)
Distribution Tax on shares bought back	–	–	–	(57.7)	(57.7)
Transfer from Retained Earnings	–	–	9.2	-	9.2
Transfer to Capital Redemption Reserve	–	–	–	(9.2)	(9.2)
Balance as at 31st March, 2018	**2.0**	**239.6**	**9.2**	**1,497.5**	**1,748.3**

Capital redemption reserve was created for buy back of equity shares as mentioned in Note 10(a).

Note 11 Borrowings

Rs. Million

Particulars	Effective Interest Rate %	Maturity	As at 31st March, 2018	As at 31st March, 2017
Non Current				
Term Loan from Bank :				
Secured				
Term loan in foreign currency (Refer note 1 below)	9.15%	24 Sep 2021	**264.1**	288.3
Less : Current maturities of long term debt (Refer note 16)			**130.0**	30.0
Total non-current borrowings			**134.1**	258.3
Current :				
Secured bank loan				
Loan repayable on demand (from Bank) (Refer note 2)	4.14%	On Demand or 90 days whichever is earlier	**98.4**	–
Total current borrowings			**98.4**	–
Aggregate secured loans			**232.5**	258.3

Notes :

1. Term loan is secured by first *pari passu* charge over movable fixed assets (present and future) of the Company. The term loan is repayable in full (Bullet) after 24 months of drawdown as below (Refer Table 1). In case repayment is effected vide availing Rupee Term Loan (RTL) facility, the repayment schedule of RTL shall be followed which is 30% of the total outstanding at the end of 24 months and remaining in 8 equal quarterly installments starting from 28th May, 2018 (Refer Table 2).

Notes forming part of the financial statements

The Company has taken interest rate swap, accordingly, the floating rate of interest of USD LIBOR 3 months plus 2.20% is converted into fixed interest rate as under p.a. payable monthly.

Table 1 – Repayment in full (Bullet)

Rs. Million

No.	Disbursement date	Repayment date	USD Amount	Rs. Million	INR Interest Rate p.a.
1.	29th February, 2016	28th February, 2018	1,459,811	94.8	9.20%
2.	5th July, 2016	3rd July, 2018	1,480,604	96.2	9.15%
3.	26th September, 2016	24th September, 2018	1,498,127	97.3	9.14%

Table 2 – Repayment schedule of Rupee Term Loan

	2018	2019	2020	2021	Total
Q1	–	8.8	26.3	17.5	52.6
Q2	–	68.8	26.3	17.5	112.6
Q3	–	26.3	26.3	–	52.6
Q4	**30.0**	26.3	26.3	–	82.6
Total	**30.0**	**130.2**	**105.2**	**35.0**	**300.4**

Loans repayable on demand from Bank are secured by a First *Pari Passu* charge on the Company's current assets in terms of the deed of hypothecation executed by the Company.

Note 12 Trade Payables

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non-current	**Current**	**Total**	Non-current	Current	Total
Trade payable for goods & services :						
Total outstanding dues of micro enterprises and small enterprises (Refer Note 2 below)	**–**	**177.3**	**177.3**	–	132.5	132.5
Total outstanding dues of trade payables other than micro enterprises and small enterprises	**64.0**	**964.9**	**1,028.9**	53.8	518.3	572.1
Acceptances	**–**	**43.7**	**43.7**	–	28.9	28.9
Total	**64.0**	**1,185.9**	**1,249.9**	53.8	679.7	733.5

1. Trade payables are non-interest bearing and are normally settled on 30 - 60 day terms.

Notes forming part of the financial statements

2. Details of due to micro, small and medium enterprises as defined under the MSMED Act, 2006

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
a) The principal amount and interest due thereon remaining unpaid to any supplier as at the end of each accounting year:		
i) Principal amount due to micro, small and medium enterprises	**3.3**	2.2
ii) Interest due on above	**0.7**	0.3
b) The amount of Interest paid by the buyer in terms of Section 16 of MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**0.3**	0.4
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	**0.3**	0.3
d) Amount of interest accrued and remaining unpaid as at the year end of each accounting year	**0.7**	0.3
e) The 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 enterprises for the purpose of disallowance as a deductible expenditure u/s 23 of MSMED Act, 2006.	**–**	–

Note 13 Provisions

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non-current	**Current**	**Total**	Non-current	Current	Total
(a) Provision for employee benefits (Refer note 29)						
(i) Provision for gratuity	**2.2**	**–**	**2.2**	0.5	–	0.5
(ii) Provision for compensated absences	**–**	**49.0**	**49.0**	–	52.0	52.0
(b) Other provisions						
Warranty [Refer note (a) below]	**4.7**	**13.9**	**18.6**	4.0	13.5	17.5
Total	**6.9**	**62.9**	**69.8**	4.5	65.5	70.0

Note (a) Warranty

Rs. Million

Particulars	As at 31st March, 2018			As at 31st March, 2017		
	Non-current	**Current**	**Total**	Non-current	Current	Total
At the beginning of the year	**4.0**	**13.5**	**17.5**	4.1	9.6	13.7
Arising during the year	**4.7**	**5.6**	**10.3**	4.8	5.5	10.3
Utilised (i.e. incurred and charged against the provision) during the year	**(4.0)**	**(6.1)**	**(10.1)**	(4.1)	(1.6)	(5.7)
Unwinding of Warranty Interest	**–**	**0.9**	**0.9**	(0.8)	–	(0.8)
Closing Balance at the end of the year	**4.7**	**13.9**	**18.6**	4.0	13.5	17.5

Notes forming part of the financial statements

Note14 (a) Income Tax recognised in Profit or Loss Section

The major components of income tax expense for the years ended 31st March 2018 and 31st March 2017

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
Current Income Tax:		
Current income tax charge	**191.0**	96.5
Adjustments in respect of current income tax of previous year	**–**	(9.4)
Deferred Tax:		
Relating to origination and reversal of temporary differences	**1.6**	17.6
Income tax expense reported in the statement of profit or loss	**192.6**	104.7

(b) Income Tax recognised in OCI Section

Deferred tax related to items recognised in OCI during the year

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
Remeasurement of the defined benefit obligation	**2.9**	0.7
Income tax charged to OCI	**2.9**	0.7

Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate for 31st March, 2018 and 31st March, 2017

Rs. Million

Particulars	As at 31st March, 2018	As at 31st March, 2017
Accounting profit before income tax	**562.4**	339.9
At India's statutory income tax rate of **34.608%** (31 March 2017: 34.61%)	**194.7**	117.6
Income exempt for tax purposes	**(0.8)**	(0.5)
Additional allowances for tax purposes	**(7.8)**	(1.3)
Expenses not deductible for tax purposes	**3.6**	(2.4)
At the effective income tax rate of 33.73% (31 March 2017: 33.35%)	**189.7**	113.4
Income tax expense reported in the statement of profit and loss	**192.6**	114.1
Income tax expense reported in the Other Comprehensive Income	**(2.9)**	(0.7)
Total	**189.7**	113.4

Notes forming part of the financial statements

(c) Deferred Tax

Deferred tax related to following

Rs. Million

Particulars	BALANCE SHEET		PROFIT & LOSS	
	As at 31st March, 2018	As at 31st March, 2017	**As at 31st March, 2018**	As at 31st March, 2017
Tax effect of items constituting deferred tax liabilities				
Property, plant and equipment	**122.1**	122.1	**–**	13.8
Intangible assets	**–**	–	**–**	(0.3)
Warranty	**0.5**	0.4	**0.1**	–
Tax effect of items constituting deferred tax assets				
Employee benefits	**(22.2)**	(20.4)	**1.1**	0.7
Minimum alternate tax credit	**–**	–	**–**	2.1
Provision for doubtful debts	**(4.7)**	(2.0)	**(2.7)**	5.9
Provision for Impairment - Investment	**(0.2)**	–	**(0.2)**	(0.6)
Other items	**(0.5)**	(0.9)	**0.4**	–
Derivatives	**(1.1)**	(4.0)	**2.9**	(4.0)
Deferred tax expense/ (Income)	**–**	–	**1.6**	17.6
Deferred tax liabilities (Net)	**93.9**	**95.2**	**–**	–

Reflected in the Balance Sheet as follows

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Deferred tax assets	**(28.7)**	(27.3)
Deferred tax liabilities	**122.6**	122.5
Deferred tax liabilities, net	**93.9**	95.2

Reconciliation of Deferred Tax Liabilities (net)

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Opening balance as of 1 April	**95.2**	78.3
Tax income/(expense) during the period recognised in profit or loss	**1.6**	17.6
Less: Tax income/(expense) during the period recognised in OCI	**2.9**	0.7
Closing balance as at 31 March	**93.9**	95.2

Notes forming part of the financial statements

Note15 Current tax Liabilities (Net)

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Provision for tax (net of advance tax - **31st March 2018: Rs.62.3 Million** (31st March 2017: Rs.45.6 Million)	**28.6**	4.8
Total	**28.6**	4.8

Note16 Other Financial Liabilities

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
At fair value through profit or loss		
Cross currency interest rate swaps	**7.2**	15.7
Total (A)	**7.2**	15.7
At amortized cost		
(a) Current maturities of long-term debt (Refer note 11)	**130.0**	30.0
(b) Creditors for capital supplies/services	**18.6**	24.9
(c) Trade deposit received	**1.3**	1.6
Total (B)	**149.9**	56.5
Total Current	**157.1**	72.2
Total Non-Current	**–**	–

Note17 Other Current Liabilities

Rs. Million

Particulars	**As at 31st March, 2018**	As at 31st March, 2017
Advances received from customers	**3.1**	2.3
Statutory dues (Contributions to PF and ESIC, withholding taxes, excise duty, service tax, GST, etc.)	**30.4**	47.7
Others	**0.6**	0.6
Total	**34.1**	50.6

Notes forming part of the financial statements

Note18 Revenue from Operations

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Revenue from sale of goods (Including excise duty) [Refer Note(i)]	**5,562.7**	4,853.2
Other operating revenues:		
i) Tool development and testing charges	**4.2**	6.0
ii) Scrap sales	**25.8**	26.0
iii) Local body tax/Octroi incentive	**–**	3.5
iv) Export benefits (Government Grant)	**46.8**	37.1
Total	**5,639.5**	4,925.8

(i) Sale of goods includes excise duty collected from customers of Rs.130.5 Million (31 March 2017 : Rs.508.2 Million). Sale of goods net of excise duty is Rs.5432.2 Million (31 March 2017: 4345 Million).

(ii) Revenue from operations for period up to 30 June 2017 includes excise duty. From 1 July 2017 onwards the excise duty and most indirect taxes in India have been replaced by Goods and Service Tax (GST). The Company collects GST on behalf of the Government. Hence, GST is not included in Revenue from operations. In view of the aforesaid change in indirect taxes, Revenue from operations for the year ended 31 March 2018 is not comparable with that of 31 March 2017.

(iii) The gross presentation may apply only to the excise duty. Ind AS 18 and the Educational Material are clear that sales tax/ VAT is not received by the entity on its own account, it is tax collected on value added to the commodity by the seller on behalf of the Government, therefore, it is excluded from revenue.

(iv) From 1 July 2017, the GST regime has been introduced. For such entities, revenue will be recognised net of GST. To that extent revenue numbers will not be comparable.

Note19 Other Income

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Net foreign exchange gains	**18.1**	11.7
Excess provisions written back	**0.4**	6.9
Miscellaneous income	**0.4**	1.0
Total	**18.9**	19.6

Note 20 Finance income

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
Dividend income from current investments measured at fair value	**0.8**	1.4
Interest income on bank deposits measured at amortized cost	**3.6**	3.7
Other interest on financial asset measured at amortized cost	**0.8**	0.7
Total	**5.2**	5.8

Notes forming part of the financial statements

Note 21 (a) Cost of Raw materials and Components consumed

Rs. Million

Particulars	**For the year ended 31st March, 2018**	For the year ended 31st March, 2017
Opening Stock	**133.6**	121.7
Add : Purchases	**3,961.7**	2,987.3
	4,095.3	3,109.0
Less : Closing stock	**228.9**	133.7
Cost of materials consumed	**3,866.4**	2,975.3

(b) Purchases of stock-in-trade

Rs. Million

Particulars	**For the year ended 31st March, 2018**	For the year ended 31st March, 2017
Steel bars	**49.2**	74.9
Cost of materials consumed	**49.2**	74.9

(c) (Increase) / Decrease in Inventories of Finished Goods and Work-in-progress

Rs. Million

Particulars	**For the year ended 31st March, 2018**	For the year ended 31st March, 2017
1. Closing stock of		
Work-in-progress	**395.0**	250.3
Finished goods	**214.5**	135.3
Excise Duty on FG	**–**	(18.4)
	609.5	367.2
2. Less: Opening stock of		
Work-in-progress	**250.3**	248.6
Finished goods	**135.3**	116.3
Excise Duty on FG	**(18.4)**	(17.5)
	367.2	347.4
(Increase)/Decrease in Stock	**(242.3)**	(19.8)

Notes forming part of the financial statements

Note 22 Employee Benefits Expense

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
(a) Salaries, wages and bonus	**460.0**	397.6
(b) Contribution to provident and other funds (Refer Note 29)	**27.8**	27.1
(c) Gratuity expense (Refer Note 29)	**3.3**	3.3
(d) Staff welfare expenses	**44.9**	42.5
	536.0	470.5
Less: Capitalized *	**(0.9)**	(4.1)
Total	**535.1**	**466.4**

* Represents R & D Expenses capitalised **Rs.0.9 Million** (31st March 2017 : Rs.0.9 Million) and Expenses capitalised for Pithampur Project **Rs.Nil** (31st March 2017 : Rs.3.2 Million).

Note 23 Finance Costs

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
(a) Interest on debts and borrowings measured at amortized cost		
– On Short Term Borrowing	**1.6**	1.0
– On Long Term Borrowing	**18.7**	32.3
(b) Other Interest measured at amortized cost		
– Trade payables	**0.6**	0.3
– Trade Receivable	**0.7**	–
Total Interest Expense	**21.6**	33.6
– Other interest - Warranty unwinding	**0.9**	0.9
– On delayed payment of income tax *	**2.6**	–
	25.1	34.5
Less: Capitalized **	**–**	(1.3)
Total Finance Costs	**25.1**	33.2

* Represents **Rs.2.6 Million** (31st March 2017 : Rs.4,057).

** Represents Expenses Capitalised for Pithampur Project **Rs.Nil** (31st March 2017 : Rs.1.3 Million).

Note 24 Depreciation and Amortization Expenses

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
– Depreciation of tangible assets	**100.3**	80.0
– Amortization of intangible assets	**3.6**	5.0
Total	**103.9**	85.0

Notes forming part of the financial statements

Note 25 Other Expenses

Rs. Million

Particulars	For the year ended 31st March, 2018	For the year ended 31st March, 2017
1. Freight and handling charges	**128.6**	74.1
2. Packing materials consumed	**106.4**	85.5
3. Stores and spares consumed	**80.1**	64.3
4. Tools consumed	**73.4**	50.0
5. Power & fuel consumed	**74.0**	64.2
6. Repairs and maintenance - buildings	**6.6**	0.9
7. Repairs and maintenance - machinery	**8.1**	9.0
8. Repairs and maintenance - others	**3.1**	4.2
9. Loss on sale/write off of property, plant and equipment (net)	**2.4**	1.6
10. Rates and taxes	**1.3**	1.1
11. Lease rent [Refer note 27(i)]	**18.9**	13.9
12. Insurance charges	**3.8**	4.3
13. Provision for doubtful debts	**7.1**	1.8
14. Provision for Impairment - Investment	**0.4**	-
15. Excise duties / GST	**2.2**	1.2
16. Payment to Auditors (Refer details below)	**2.1**	2.9
17. Expenditure on corporate social responsibility (Refer Note 35)	**6.2**	8.0
18. Directors' sitting fees	**0.8**	0.8
19. Business promotion expenses	**7.2**	5.5
20. Commission on sales	**1.3**	1.5
21. Service Charges Paid	**31.8**	28.6
22. Travelling Expenses	**19.8**	16.5
23. Legal & Professional Charges	**16.7**	16.3
24. Warranty Claims	**10.3**	8.7
25. Miscellaneous expenses	**21.1**	29.0
	633.7	493.9
Less : Capitalized *	**(0.4)**	(5.8)
Total	**633.3**	488.1

* Represents R & D Expenses capitalised **Rs.0.4 Million** (31st March 2017 : Rs.0.6 Million) and Expenses capitalised for Pithampur Project **Rs.Nil** (31st March 2017 : Rs.5.2 Million)

Note : Payment to Auditors

Rs. Million

Particulars		For the year ended 31st March, 2018	For the year ended 31st March, 2017
As Auditor :	Audit fee	**2.1**	2.1
	Taxation matters *	**–**	–
	Other services	**–**	0.7
	Auditors out-of-pocket expenses *	**–**	–
	Total	**2.1**	2.9

* Taxation matters **Rs.Nil** (31st March 2017 : Rs 0.07 Million and Auditors out of pocket expense **Rs.Nil** (31st March 2017 : Rs.0.01 Million).

Notes forming part of the financial statements

Note 26 Components of Comprehensive Income

Rs. Million

Particulars	**For the year ended 31st March, 2018 Retained Earnings**	For the year ended 31st March, 2017 Retained Earnings
Remeasurement of the defined benefit obligation	**(8.3)**	(2.1)
Total	**(8.3)**	(2.1)

Note 27 Commitments

i) Leases

Operating lease commitment - Company as lessee

The lease rent debited to statement of profit and loss is Rs.**18.9 Million** (31st March 2017: Rs.13.9 Million).

The Company has entered into operating lease arrangements for its office premises, storage locations and residential premises.

Future minimum rental payable under non-cancellable operating leases as at 31 March are, as follows:

Rs. Million

Particulars	**2017-18**	2016-17
Within one year	**8.4**	4.1
After one year but not more than five years	**14.0**	–
More than 5 years	**–**	–
Total	**22.4**	4.1

ii) Estimated amount of contracts remaining to be executed on capital account and not provided for **Rs.22.9 Million** (net of advance) [31st March 2017: Rs 9.5 Million (net)].

Note 28 Contingent Liabilities not provided for:

Claims against the Company not acknowledged as debts

i) Income-tax

(a) Pursuant to an order received from Income Tax Appellate Tribunal (ITAT) in respect of the assessment years 1995–96, 1996-97 and 1997-98, upholding the Appeal of the Income Tax Department for disallowing proportionate depreciation on the assets of the Automotive Component business acquired by the Company during the year ended 31st March 1995, the Company may receive a demand from the Income Tax Department estimated at Rs.**150.2 Million** (2017: Rs.145.5 Million) [including interest of Rs.**111.4 Million** (2017: Rs.106.7 Million].

The Company has preferred an appeal against the ITAT order in the Bombay High Court. The Company has not made any provision in the books of account as the Company, based on its own assessment and the advice given by tax consultant, is of the opinion that the liability is/can be regarded as remote.

(b) Demands in respect of earlier years against which the Company is in appeal and pending with Appellate authorities is **Rs.36.6 Million** (2017: Rs.36.7 Million).

ii) Excise and Service Tax

Excise **Rs.18.2 Million** (2017: Rs.18.3 Million)

Service Tax **Rs.9.6 Million** (2017: Rs.20.0 Million).

Notes forming part of the financial statements

iii) Sales Tax

Central Sales Tax **Rs.0.4 Million** (2017: Rs.0.4 Million)

iv) Labour Law

One case pending before the High court for the ex-employees seeking reinstatement for which the amount is not ascertainable. The status of this case has not changed since previous year.

Note:

The Company does not expect any outflow of economic resources in respect of the above and therefore no provision is made in respect thereof.

Note 29 Gratuity and Other Post-employment Plans

Rs. Million

Particulars	31st March, 2018	31st March, 2017
Gratuity Liability (Net)	**2.2**	0.5

The Company operates a gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company scheme applicable to the employees. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

Regulatory framework

The trustees of the gratuity fund have a fiduciary responsibility to act according to the provisions of the trust deed and rules. Since the fund is income tax approved, the Company and the trustees have to ensure that they are at all times fully compliant with the relevant provisions of the income tax and rules. Besides this if the Company is covered by the Payment of Gratuity Act, 1972 then the Company is bound to pay the statutory minimum gratuity as prescribed under this Act.

Governance of Plan

The Company has setup an income tax approved irrevocable trust fund to finance the plan liability. The trustees of the trust fund are responsible for the overall governance of the plan. The plan is funded under Group Gratuity Scheme which is administered by LIC. The Company makes annual contribution to the plan.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the balance sheet for the respective plans:

Rs. Million

Particulars	31st March, 2018	31st March, 2017
Current service cost	**3.7**	3.6
Interest cost on benefit obligation	**(0.3)**	(0.2)
Net Benefit expenses	**3.4**	3.4

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2018

Rs. Million

	Gratuity cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income						
Particulars	**1st Apr 2017**	**Service Cost**	**Net interest expense**	**Sub-total included in profit or loss**	**Benefits paid**	**Return on plan assets (excluding amounts included in net interest expense)**	**Actual Return on plan assets in excess of the expected return**	**Acturial changes arising from changes in financial assume-ptions**	**Experience adjust-ments**	**sub-total included in OCI**	**Contri-butions by employer**	**31st March 2018**
Defined benefit obligation	121.7	3.7	7.7	11.4	(10.5)	–	–	(3.1)	12.5	9.4	–	132.0
Fair value of plan assets	121.2	–	–		(10.5)	8.0	1.0	–	–	–	10.1	129.8
Benefit liability	0.5			11.4	0.0					9.4	(10.1)	2.2

Notes forming part of the financial statements

Changes in the defined benefit obligation and fair value of plan assets as at 31st March 2017

Rs. Million

Particulars	Gratuity cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income						
	1st Apr 2016	Service Cost	Net interest expense	Sub-total included in profit or loss	Benefits paid	Return on plan assets (excluding amounts included in net interest expense)	Actual Return on plan assets in excess of the expected return	Acturial changes arising from changes in financial assume-ptions	Experience adjust-ments	sub-total included in OCI	Contri-butions by employer	31st March 2017
Defined benefit obligation	125.9	3.6	9.1	12.7	(18.8)	–	–	4.7	(2.8)	1.9	–	121.7
Fair value of plan assets	126.5	–	–	0.0	(18.8)	9.3	(0.1)	–	–	–	4.3	121.2
Benefit liability	(0.6)			12.7	–					1.9	(4.3)	0.5

The major categories of plan assets of the fair value of the total plan assets are as follows:

Rs. Million

Particulars	**31st March, 2018**	31st March, 2017
Unquoted Investments – with LIC	**129.8**	121.2

The principal assumptions used in determining gratuity and post-employment gratuity benefit obligations for the Company's plans are shown below:

Particulars	**31st March, 2018**	31st March, 2017
Discount rate (per annum)	**7.70%**	7.05%
Attrition Rate		
a. Between 21-30 years	**5%**	3%
b. Between 31-40 years	**2%**	2%
c. Between 41-50 years	**3%**	1%
d. Between 51-59 years	**10%**	1%
Rate of escalation in salary (per annum)	**7%**	7%
Mortality Tables	**Indian Assured Lives Mortality (2006-08) Ult Table**	Indian Assured Lives Mortality (2006-08) Ult Table
Expected Employer's contribution next year	**10 Million**	10 Million

Sensitivity Analysis

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarizes the impact on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points.

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

Rs. Million

Particulars	**31st March 2018**		31st March 2017		**31st March 2018**		31st March 2017	
	Discount rate		Discount rate		**Future salary increase**		Future salary increase	
	1% increase	**1% decrease**	1% increase	1% decrease	**1% increase**	**1% decrease**	1% increase	1% decrease
Impact on defined benefit obligation	**127.4**	**137.0**	115.8	128.2	**137.0**	**127.3**	128.1	115.8

Notes forming part of the financial statements

The table below shows the expected cash flow to be paid to the current membership of the plan based on past service of the employees

Rs. Million

Particulars	31st March, 2018	31st March, 2017
Within the next 12 months (next annual)	**46.4**	24.0
Between 2 and 5 years	**55.0**	49.3
Between 5 and 10 years	**54.6**	69.6
Beyond 10 years	**29.7**	43.7
Total expected payments	**185.7**	186.6

The weighted average duration to the payment of these cash flows is 3.60 years.

Asset liability comparisons

Rs. Million

Particulars	31st March, 2018	31st March, 2017
PVO at the end of the year	**132.0**	121.7
Plan Assets	**129.8**	121.2
Surplus/(Deficit)	**2.2**	0.5
Experience adjustments on plan assets	**-**	-

Note 30 Related Party Transactions

(i) Details of related parties and description of relationship

Sr. No.	Description of relationship	Name of the Party
1.	Joint Venture Partners (till 16th December 2016)	(a) Mahindra & Mahindra Limited (b) Sona Group – Through Ms. Superna Motwane
2.	Individual having significant influence over the company	Ms. Superna Motwane, Non-Executive Director
3.	Enterprise over which KMP have significant iinfluence	MSona Automotive Components Private Limited (With effect from 16th December, 2017) Motwane Consultancy Private Limited
4.	Key Managerial Personnel	Mr. Gaurav G. Motwane Mr. Sat pal Khattar Mr. Vivek Patwardhan Mrs. Avantika Kakkar (Upto 14th February,2018) Mr. Arvind Khattar Mr. Nikhilesh Panchal Mr. Rajesh Nagpal Mr. S. P.Shukla (Upto 16th December, 2016) Mr. S. Durgashankar (Upto 16th December, 2016) Mr. K. Chandrasekar (Upto 16th December, 2016)

Notes forming part of the financial statements

Details of Related Party transactions during the year ended 31st March, 2018 and outstanding balances as at 31st March, 2018.

Rs. Million

Sr. No	Particulars	Year	Joint Venture Partners	Individual having significant influence	Enterprises over which KMP have significant influence	Key Managerial Personnel
1.	Sale of finished goods (Including Excise duty and Sales Tax)	**2017-18**	**–**	**–**	**–**	**–**
		2016-17	1,219.2	–	–	–
2.	Charges for utilising office facilities	**2017-18**	**–**	**–**	**2.8**	**–**
		2016-17	1.0	–	–	–
3.	Deposits for utilizing office facilities	**2017-18**	**–**	**–**	**4.2**	**–**
		2016-17	–	–	–	–
4.	Reimbursement of expenses to related party	**2017-18**	**–**	**–**	**–**	**–**
		2016-17	2.3	–	–	–
5.	Managerial remuneration (including commission)	**2017-18**	**–**	**–**	**–**	**52.9**
		2016-17	–	–	–	37.6
6.	Directors' sitting fees	**2017-18**	**–**	**0.1**	**–**	**0.7**
		2016-17	–	0.1	–	0.7
7.	Business promotion expenses	**2017-18**	**–**	**–**	**–**	**–**
		2016-17	**5.9**	–	–	–
8.	Dividend paid	**2017-18**	**–**	**–**	**–**	**–**
		2016-17	79.5	–	–	–
9.	Buy Back of shares	**2017-18**	**–**	**79.2**	**93.2**	**35.5**
		2016-17	–	–	–	–
10.	Balance payable as on	**31st March, 2018**	**N.A.**	**–**	**–**	**22.9**
		31st March, 2017	N.A.	–	–	18.2
11.	Balance receivable as on	**31st March, 2018**	**N.A.**	**–**	**4.2**	**–**
		31st March, 2017	N.A.	–	–	–

Notes forming part of the financial statements

The significant related party transactions are as under

Sr. No	Particulars	Year	Name of Related Party	Rs. Million
1	Charges for utilizing office facilities	**2017-18**	**Motwane Consultancy Private Limited**	**2.8**
		2016-17	Mahindra & Mahindra Limited	1.0
2	Deposits for utilizing office facilities	**2017-18**	**Motwane Consultancy Private Limited**	**4.2**
		2016-17		–
3	Managerial Remuneration	**2017-18**	**Mr. Gaurav G. Motwane**	**52.9**
		2016-17	Mr. Gaurav G. Motwane	37.6
4	Dividend Paid	**2017-18**	**Mahindra & Mahindra Limited**	**NA**
		2016-17	Mahindra & Mahindra Limited	35.4
		2017-18	**Ms. Superna Motwane**	–
		2016-17	Ms. Superna Motwane	44.1
3	Buy Back of shares	**2017-18**	**MSona Automotive Components Private Limited**	**93.2**
		2017-18	**Mr. Satpal Khattar**	**35.5**
		2017-18	**Ms. Superna Motwane**	**79.2**
		2016-17		–
4	Balance payable as on	**31st Mar 18**	**Mr. Gaurav G. Motwane**	**22.9**
		31st Mar 17	Mr. Gaurav G. Motwane	18.2
5	Balance receivable as on	**31st Mar 18**	**Motwane Consultancy Private Limited**	**4.2**
		31st Mar 17		–

a) In respect of the outstanding balance recoverable as at 31st March, 2018, no provision for doubtful debts is required to be made in the financial statement as at 31st March 2018.

b) During the year, there were no amounts required to be written off or written back in respect of debts due from or to related parties.

(ii) Compensation of Key Managerial Personnel

Rs. Million

Particulars	31st March, 2018	31st March, 2017
Short-term employee benefits	**49.6**	35.0
Post-employment benefits	**3.3**	2.6
Total compensation paid to key management personnel	**52.9**	37.6

Note

Employee benefits in the nature of gratuity and leave encashment are created on actuarial basis for the company as a whole and not for the individual employee including KMP.

Note 31 The Company is in process of filing a writ petition with the High Court to claim the credits towards tax / duties paid during pre-GST regime as the Company could not upload the Form GST Trans 1 return filed with the authorities due to technical error to claim the credits as at July 1, 2017. The Company is confident of getting credits for the taxes paid based on the writ petition filed.

Notes forming part of the financial statements

Note 32 Computation of Earnings Per Share

The following reflects the income and share data used in the basic & diluted EPS computations:

Rs. Million

Particulars	2017-18	2016-17
a) Net Profit after tax available for Equity Shareholders (Rs. Million)	**369.8**	235.2
b) Weighted average number of Equity Shares	**1,05,12,778**	1,10,00,004
c) Basic and Diluted Earnings per share (Rs.)	**35.18**	21.38
d) Face Value per share (Rs.)	**10.0**	10.0

The weighted average number of shares takes into account the weighted average effect of shares being bought back during the financial year. There have been no other transactions involving Equity shares or potential Equity shares during the financial year.

Note 33 Research & Development Cost

The Company's research and development concentrates on the development of UJ and clutches. Research and Development expenditure incurred in recognized Research and Development unit for the year is as below:

Rs. Million

Particulars	31st March, 2018	31st March, 2017
Research & development cost, as certified by the management		
a) Revenue expenses debited to appropriate heads of account	**15.0**	14.9
b) Capital Expenditure	**1.4**	17.7

Note 34 Corporate Social Responsibility

In line with Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities, issued by the Institute of Chartered Accountants of India, the disclosure of the CSR expenditure during the year, is as under:

Rs. Million

Particulars	31st March, 2018			31st March, 2017		
a) Gross amount required to be spent by the company during the year			**8.3**			8.9
b) Amount spent during the year	**In cash**	**Yet to be paid in Cash**	**Total**	In cash	Yet to be paid in Cash	Total
i) Construction/acquisition of any asset	**–**	**–**	**–**	–	–	–
ii) On purposes other than (i) above	**6.2**	**–**	**–**	8.0	–	–

Note 35 Derivatives Instrument

(a) The Company uses foreign currency interest rate swaps, accordingly the company will pay fixed interest in INR at the rate of 9.15%, and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to twenty four months.

The Company enters into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Rs. Million

Nature of instrument	Currency	31st March 2018		31st March 2017		Purpose - Hedging / Speculation
		USD	**INR**	USD	INR	
Derivative contracts						
Foreign Currency Interest rate swap - Payable	USD	**3.0**	**194.1**	4.4	288.3	Hedging

Notes forming part of the financial statements

(b) The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Rs. Million

Particulars	Currency	31st March, 2018	31st March, 2017
Trade receivable	**USD**	**5.9**	4.8
	GBP	**0.2**	0.4
	EURO	**#**	#
Trade payables	**USD**	**3.0**	1.0
	EURO	*****	*
Term loan (hedged)	**USD**	**3.0**	4.4
# represents	EURO	**3,577**	7,552
* represents	EURO	**3,788**	728

Note 36 Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are measured at fair value on a recurring basis:

The following table gives information about how the fair values of these financial assets and financial liabilities are determined in particular, the valuation technique(s) and inputs used.

Rs. Million

Particulars	Fair Value		Fair Value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31st March 2018	31st March 2017	**31st March 2018**			
Cross currency interest rate swaps - payable	**7.2**	15.7	**Level 2**	Future cash flows are estimated on forward exchange rates and observable yield curves at the end of the reporting period and contract forward rates, contract interest rates discounted at a rate that reflects the credit risk of various counter parties.	None	None

Reconciliation of fair value measurement of derivative instrument (cross currency swap) measured at FVTPL:

Rs. Million

Particulars	Amount
Amount as on 31st March 2016	4.0
Re-measurement recognised in profit and loss statement	11.7
Amount as on 31st March 2017	15.7
Re-measurement recognised in profit and loss statement	(8.5)
Amount as on 31st March 2018	**7.2**

Notes forming part of the financial statements

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Rs. Million

Particulars	Carrying Value		Fair Value	
	31st March, 2018	31st March, 2017	**31st March, 2018**	31st March, 2017
Financial assets carried at amortised Cost				
– Cash and cash equivalent	**119.5**	87.3	**119.5**	87.3
– Other Bank Balance	**-**	90.0	**-**	90.0
– Trade receivables	**1,624.7**	1,238.5	**1,624.7**	1,238.5
– Other Financial Assets	**14.4**	12.2	**14.4**	12.2
Total	**1,758.6**	**1,428.0**	**1,758.6**	**1,428.0**
Financial liabilities held at amortised cost				
– Borrowings	**232.5**	258.3	**232.5**	258.3
– Trade and other payables	**1,249.9**	733.5	**1,249.9**	733.5
– Other financial liabilities	**149.9**	56.5	**149.9**	56.5
Total	**1,632.3**	**1,048.3**	**1,632.3**	**1,048.3**

The management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2018 was assessed to be insignificant.

Note 37 Fair Value Hierarchy

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

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

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

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

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Rs. Million

Particulars	**31st March, 2018**			31st March, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets carried at amortised Cost						
– Cash and cash equivalent	**–**	**–**	**119..5**	–	–	87.3
– Other Bank Balance	**–**	**–**	**–**	–	–	90.0
– Trade receivables	**–**	**–**	**1,624.7**	–	–	1,238.5
– Other Financial Assets	**–**	**–**	**14.4**	–	–	12.2
Total			**1,758.6**			1,428.0

Notes forming part of the financial statements

Rs. Million

Particulars	31st March, 2018			31st March, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial liabilities held at amortised cost						
– Borrowings	**–**	**–**	**232.5**	–	–	258.3
– Trade and other payables (including capital)	**–**	**–**	**1,249.9**	–	–	733.5
– Other financial liabilities	**–**	**–**	**149.9**	–	–	56.5
Total			**1,632.3**			1,048.3

There have been no transfers between Level 1 and Level 2 during the period.

Note 38 Financial Risk Management Objectives and Policies

The Company’s principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company’s operations and to provide guarantees to support its operations. The Company’s principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company’s senior management oversees the management of these risks. The senior management monitors financial risks and they design appropriate financial risk governance framework for the Company. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company’s policy that no trading in derivatives for speculative purposes may be undertaken. The Company management reviews and agrees policies for managing each of these risks, which are summarised below.

[A] CREDIT RISK

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

(i) Trade receivables

Customer credit risk is managed by the Company subject to the Company’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on payment performance over the period of time and financial analysis including credit rating issued by credit rating agencies for major customers. Outstanding customer receivables are regularly monitored and any shipments to other small customers are generally covered by bank guarantees. At 31st March, 2018, the Company had 4 customers that owed the Company more than Rs.100 Million each and accounted for approximately 76% of all the receivables outstanding (31st Mar, 2017 : 70%)

An impairment analysis is performed at each reporting date on an individual basis for major customers. The Company does not hold collateral as security. The calculation is based on exchange losses historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

(ii) Financial instruments and cash deposits:

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. Investments of surplus funds are made only with approved mutual fund or banks and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company on an annual basis, and may be updated throughout the year subject to approval of the Company's Investment Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty’s potential failure to make payments.

Notes forming part of the financial statements

[B] LIQUIDITY RISK

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(ii) Maturities of financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Rs. Million

Particulars	Less than 1 Year	1-3 Years	3-5 Years	5 Years and above	Total	Carrying amount
31st March, 2018						
Non-interest bearing						
– Trade Payable	**1,185.9**	**64.0**	–	–	**1,249.9**	**1,249.9**
– Other financial liabilities	**19.9**	–	–	–	**19.9**	**19.9**
Interest bearing						
– Other Financial Liabilities	**40.3**	–	–	–	**40.3**	**40.3**
– Borrowing	–	**37.7**	–	–	–	–
– Packing Credit	**97.8**	–	–	–	**97.8**	**97.8**
– Cash Credit	**0.6**	–	–	–	**0.6**	**0.6**
31st March, 2017						
Non-interest bearing						
– Trade Payable	679.7	53.8	–	–	733.5	733.5
– Other financial liabilities	26.5	–	–	–	26.5	26.5
Interest bearing						
– Packing Credit	–	–	–	–	–	–
– Cash Credit	–	–	–	–	–	–

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets. The amount disclosed in the tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Notes forming part of the financial statements

Rs. Million

Particulars	Less than 1 Year	1-3 Years	3-5 Years	5 Years and above	Total	Carrying amount
31st March, 2018						
Non-interest bearing						
– Cash and cash equivalent	**119.5**	**–**	**–**	**–**	**119.5**	**119.5**
– Other Bank Balance	**–**	**–**	**–**	**–**	**–**	**–**
– Trade receivables	**1,624.7**	**–**	**–**	**–**	**1,624.7**	**1,624.7**
– Other Financial Assets	**–**	**8.8**	**–**	**5.64**	**14.4**	**14.4**
31st Mar, 2017						
– Cash and cash equivalent	87.3	–	–	–	87.3	87.3
– Other Bank Balance	90.0	–	–	–	90.0	90.0
– Trade receivables	1,238.5	–	–	–	1,238.5	1,238.5
– Other Financial Assets	–	6.7	–	5.52	12.2	12.2

The following tables detail the Company's remaining contractual maturity for its derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial derivative liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

Rs. Million

Particulars	Less than 1 Year	1-3 Years	3-5 Years	5 Years and above	Total	Carrying amount
31st March, 2018						
– Cross currency interest rate swap	**109.4**	**106.2**	**–**	**–**	**215.6**	**215.6**
31st Mar, 2017						
– Cross currency interest rate swap	32.5	285.1	–	–	317.6	317.6

[C] MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company uses derivatives to manage market risks. Derivatives are only used for economic hedging purposes and not as speculative investments. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

The Company manages its foreign currency risk by hedging trade receivables and borrowings.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

Notes forming part of the financial statements

Foreign Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities and borrowings when transactions are denominated in a different currency from the Company's functional currency.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. The Company hedges its exposure to fluctuations by using foreign currency swaps and forwards.

The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Rs. Million

Particulars	Currency	31st March, 2018	31st March, 2017
Trade receivable	**USD**	**5.9**	4.8
Trade payables	**USD**	**3.0**	1.0

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material.

Rs. Million

Year	Change in USD Rate	Effect on profit before tax and equity
31st March 2018	**5%**	**9.5**
	-5%	**-9.5**
31st March 2017	5%	12.3
	-5%	-12.3

Interest Rate Risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedging. With all other variables held constant, the company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Rs. Million

Year	Increase/decrease in basis points	Effect on profit before tax
31st March 2018	**+100**	**0.43**
	-100	**-0.43**
31st March 2017	+100	0.25
	-100	-0.25

Notes forming part of the financial statements

Commodity price risk or other Price risk

The Company dose not have significant risk in raw material price variations. In case of any variation in price same is passed on to customers through appropriate adjustment to selling prices.

Note 39 Capital Management

For the purpose of the company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise the shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 0% and 15%. The company includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

Rs. Million

Particulars	**31st March, 2018**	31st March, 2017
Borrowings	**362.5**	288.3
Less : Cash and cash equivalent including other bank balances	**119.5**	177.3
Net Debt	**243.0**	111.0
Equity	**1849.1**	1792.4
Total Capital	**1849.1**	1792.4
Total Capital and debt	**2,092.1**	1,903.4
Gearing ratio	**11.6%**	5.8%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

Note 40 Segment Information

The Company is primarily engaged in manufacturing of automobile components such as propeller shafts, clutch sets and components thereof. Information reported to and evaluated regularly by the Chief Operational Decision Maker (CODM) i.e. Chairman and Managing Director for the purpose of resource allocation and assessing performance focuses on the business as a whole. Accordingly, there is no other separate reportable segment as defined by Ind AS 108. "Segment Reporting".

Information about Geographical area

The revenue of the Company from the external customers are attributed to the Company's country of domicile i.e. India and attributed to all foreign countries in total from which the Company derives revenue.

The Company's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

Notes forming part of the financial statements

Rs. Million

Particulars	Financial Year	Domestic	U.S.A.	Other countries	Total
Revenue from External customers	**2017-18**	**4,590.7**	**872.5**	**99.5**	**5,562.7**
	2016-17	4,296.5	477.4	79.3	4,853.2
Non-current operating assets	**2017-18**	**991.9**	**–**	**–**	**991.9**
	2016-17	992.6	–	–	992.6

Information about major customers having revenue amounting to 10% or more of the company's revenue.

Particulars	Domestic		U.S.A.		Total	
	No of Customers	Rs. Million	No of Customers	Rs. Million	No of Customers	Rs. Million
2017-18	**2**	**2,519.7**	**1**	**916.8**	**3**	**3,436.5**
2016-17	2	2,325.8	–	–	2	2,325.8

No other customer individually contributed 10% or more to the Company's revenue for the current year ended 31st March, 2018 and previous ended 31st March, 2017.

Note 41 Standards issued but not effective

In March 2018, the Ministry of Corporate Affairs had notified Ind AS 115 (Revenue from Contracts with Customers) which would be applicable to the company for accounting periods beginning on or after 1 April 2018. Ind AS 115 "Revenue from contracts with customers" supersedes existing standards, Ind AS 11 - "Construction contracts" and Ind AS 18 - "Revenue".

Ind AS 115 introduces a new framework of five step model for the analysis of revenue transactions. The model specifies that revenue should be recognised when (or as) an entity transfer control of goods or services to a customer at the amount to which the entity expects to be entitled. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new revenue standard is applicable to the Company from 1 April 2018.

The standard permits two possible methods of transition:

(1) Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

(2) Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach).

The company is evaluating the impact of new standards on its financials, to accounting system, processes, and additional disclosure requirements that may be necessary.

Note 42 Previous Year Comparatives

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date
For S R B C & CO. LLP
Chartered Accountants
ICAI Firm Regn. No.324982E / E300003

Per Dolphy D'Souza
Partner
Membership No. 038730
Mumbai, June 05, 2018

For and on behalf of the Board of Directors
MSL Driveline Systems Limited (formerly known as Mahindra Sona Limited)

Gaurav Motwane
Chairman, Managing Director & CEO
(DIN 00746165)

Vivek Patwardhan
Independent Director
(DIN 07140190)

Pradeep Mestry
Chief Financial Officer

Mahendra Salunke
Company Secretary

Mumbai, June 05, 2018

Notes :

Notes:

MSL™

MSL DRIVELINE SYSTEMS LIMITED

(CIN: U30007MH1994PLC081637)

Registered & Corporate Office
Unit No. 1506, 15th Floor, ONE BKC, 'B' Wing,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051, India.

Phone: +91 - 22 - 67411604 Fax: +91 - 22 - 67411608
Email: secretary@msldriveline.com
Website: www.msldriveline.com