



Independent Auditor's Report

To
The Members of PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2020, and its loss (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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



Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for Financial Statements

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - (f) The other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, is applicable only to public companies. Accordingly, the provisions of section 197(16) are not applicable to the Company.



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- (g) Reporting on the adequacy of Internal Financial Control Over Financial Reporting of the Company and the operating effectiveness of such controls, under section 143(3)(i) of the Act is not applicable, in terms of the Notification No. G.S.R. 583(E) dated 13th June, 2017, read with General Circular No. 08/2017 dated 25th July, 2017 issued by the Ministry of Corporate Affairs, Government of India.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations as at 31st March, 2020 which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March, 2020;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2020.

For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants

Firm's Registration Number: 002283S



N. ANKA RAO

Partner

Membership Number: 23939

UDIN: 20023939AAAAAC1212



HYDERABAD
24.06.2020

Chartered Accountants

Annexure A to Independent Auditor's ReportReferred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date

- 1 The company does not own any fixed assets. Therefore, the provisions of Clause 3(i)(a), (i)(b) and (i)(c) of the said Order are not applicable to the Company.
- 2 The Company does not hold any inventory as at 31st March, 2020. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.
- 3 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 ("the Act"). Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
- 4 The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Therefore, the provisions of Clause 3(iv) of the Order are not applicable to the Company.
- 5 The Company has not accepted deposits during the year and does not have any unclaimed deposits as at 31st March, 2020 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.
- 6 The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- 7 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including income tax and any other statutory dues applicable to it with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on 31st March, 2020 which are outstanding for a period of more than six months from the date they became payable. As confirmed by the management of the Company, the provisions of the duty of provident fund, employees' state insurance, income tax, goods and service tax, duty of customs and cess are not applicable to the Company for this year.
(b) According to the records of the company and as per the information and explanations given to us, there are no dues of income tax, goods and service tax and duty of customs, which have not been deposited on account of any dispute as on 31st March, 2020.
- 8 As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- 9 The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.



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- 10 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- 11 The provisions of Section 197 read with Schedule V to the Act are applicable only to public companies. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.
- 12 As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- 13 The Company has not entered into transactions covered under Section 188 of the Act with related parties during the year. Further, the Company is not required to constitute an Audit Committee under Section 177 of the Act, and accordingly, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.
- 14 The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- 15 The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- 16 The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For P V R K NAGESWARA RAO & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao

N. ANKA RAO
Partner

Membership Number: 23939

UDIN: 20023939AAAAAC1212



HYDERABAD
24.06.2020

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Balance sheet as at 31 March, 2020

(All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note No.	As at 31 March, 2020	As at 31 March, 2019
ASSETS			
Current assets			
(i) Cash and cash equivalents	3	94,369	50,772
Other current assets	4	5,200	-
Total Current assets		99,569	50,772
TOTAL ASSETS		99,569	50,772
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	5(a)	1,00,000	1,00,000
Other equity:			
Reserves and surplus	5(b)	(2,46,448)	(1,82,503)
Total Equity		(1,46,448)	(82,503)
LIABILITIES			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	6	2,15,203	1,03,375
Total non-current liabilities		2,15,203	1,03,375
Current liabilities			
Financial liabilities			
(i) Other financial liabilities	7	29,500	29,900
Other current liabilities	8	1,314	-
Total current liabilities		30,814	29,900
TOTAL LIABILITIES		2,46,017	1,33,275
TOTAL EQUITY AND LIABILITIES		99,569	50,772

The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board

N. Anka Rao
Partner
Membership Number: 23939
Secunderabad
24.06.2020



[Signature]
Dr. A.N.Gupta
Director
(DIN: 00053985)

[Signature]
T.V. Chowdary
Director
(DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of profit and loss for the year ended 31 March, 2020
 (All amounts in Indian Rupees, unless otherwise stated)

Particulars	Note No.	For the year ended 31 March, 2020	For the year ended 31 March, 2019
Revenue			
Revenue from operations		-	-
Total Revenue		-	-
Expenses			
Finance costs	9	13,142	3,375
Other expenses	10	50,803	92,269
Total Expenses		63,945	95,644
Profit/(Loss) before tax		(63,945)	(95,644)
Tax expense			
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) after tax for the year		(63,945)	(95,644)
Other Comprehensive Income		-	-
Other Comprehensive Income after tax for the year		-	-
Total Comprehensive Income/(Loss) for the year		(63,945)	(95,644)
Earnings/(Loss) per share (Par value of Rs.10 each)			
-Basic and Diluted	15	(6.39)	(9.56)


The accompanying notes are an integral part of the financial statements

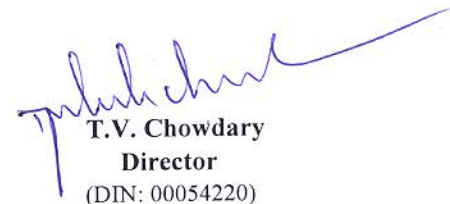
As per our report of even date
 For P.V.R.K. NAGESWARA RAO & CO.,
 Chartered Accountants
 Firm's Registration Number: 002283S

N. Anka Rao
 Partner
 Membership Number: 23939
 Secunderabad
 24.06.2020



For and on behalf of the Board


 Dr. A.N. Gupta
 Director
 (DIN: 00053985)


 T.V. Chowdary
 Director
 (DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Statement of changes in equity for the year ended 31 March, 2020

(All amounts in Indian Rupees, unless otherwise stated)

a. Equity share capital

Paid up Equity Share capital	Number of Shares	Amount
As at April 01, 2018	10,000	1,00,000
Changes in equity share capital	-	-
As at March 31, 2019	10,000	1,00,000
Changes in equity share capital	-	-
As at March 31, 2020	10,000	1,00,000

b. Other Equity

Particulars	Reserves and Surplus
	Retained earnings
Balance as at 01 April, 2018	(86,859)
Profit/(Loss) for the year	(95,644)
Other comprehensive income for the year, net of income tax	-
Total comprehensive income/(loss) for the year	(95,644)
Transactions with owners in their capacity as owners:	-
Balance as at 31 March, 2019	(1,82,503)
Balance as at 01 April, 2019	(1,82,503)
Profit/(Loss) for the year	(63,945)
Other comprehensive income for the year, net of income tax	-
Total comprehensive income/(loss) for the year	(63,945)
Transactions with owners in their capacity as owners:	-
Balance as at 31 March, 2020	(2,46,448)

The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board


N. Anka Rao

Partner

Membership Number: 23939

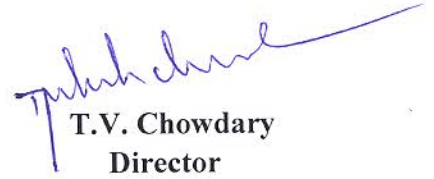
Secunderabad

24.06.2020





Dr. A.N. Gupta
Director
(DIN: 00053985)



T.V. Chowdary
Director
(DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of cash flow for the year ended 31 March, 2020
 (All amounts in Indian Rupees, unless otherwise stated)

Particulars	For the year ended 31 March, 2020	For the year ended 31 March, 2019
Cash flow from operating activities		
Profit/(Loss) before tax	(63,945)	(95,644)
Adjustments for:		
Interest expense	13,142	3,375
	(50,803)	(92,269)
Adjustments for working capital changes:		
Other financial liabilities	(400)	-
Other current assets	(5,200)	5,674
Cash generated from operating activities	(56,403)	(86,595)
Income tax paid	-	-
Net cash generated from operating activities	(56,403)	(86,595)
Cash flows from financing activities		
Proceeds from long-term borrowings	1,00,000	1,00,000
Net cash in flow from financing activities	1,00,000	1,00,000
Net increase (decrease) in cash and cash equivalents	43,597	13,405
Cash and cash equivalents at the beginning of the year	50,772	37,367
Cash and cash equivalents at end of the year	94,369	50,772

The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.

The accompanying notes are an integral part of the financial statements

As per our report of even date
 For P.V.R.K. NAGESWARA RAO & CO.,
 Chartered Accountants
 Firm's registration number: 002283S

N. Anka Rao
 N. Anka Rao
 Partner
 Membership Number: 23939
 Secunderabad
 24.06.2020



For and on behalf of the Board

A.N. Gupta
 Dr. A.N.Gupta
 Director
 (DIN: 00053985)

T.V. Chowdary
 T.V. Chowdary
 Director
 (DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 1 : Background

1.1 PELNEXT Defence Systems Private Limited ("the Company or PELNEXT") has been incorporated as a wholly owned subsidiary of Premier Explosives Limited to manufacture defence products and the Company is yet to commence operations.

1.2 The Financial statements are approved for issue by the Company's Board of Directors on 24th June, 2020

Note 2 : Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

Note 2.1 : Basis of Preparation of financial statements

The financial statements are presented in Indian Rupees (INR) rounded off to the nearest rupee.

(i) Compliance with Ind AS

The financial statements of PWL have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 ('the Act') read together with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)

(iii) Current and non-current classification

An asset is classified as current if:

(i) It is expected to be realised or sold or consumed in the Company's normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) It is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for atleast twelve months after the reporting period.

A liability is classified as current if:

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be settled within twelve months after the reporting period;

(iv) It has no unconditional right to defer the settlement of the liability for atleast twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

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

(iv) Operating Cycle

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

(v) Recent accounting pronouncements

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

Standard adopted by the Company:

The Company has adopted Ind AS 116 with modified retrospective approach, with effect from April 1, 2019. The company does not have any lease arrangement, hence adoption of this standard did not have any impact on financial statements of the company.



A handwritten signature in blue ink, appearing to be 'P. V. R. K. Mageswara Rao', written over the stamp area.

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.2 : Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with Ind AS requires management of the Company to make estimates and assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Examples of such estimates include future obligations under employee retirement benefit plans, recognition of deferred tax assets and useful lives of fixed assets. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Note 2.3 : Functional and presentation currency

The financial statements are prepared in Indian rupees (INR), which is the company's functional and presentation currency.

Note 2.4 : Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Note 2.5 : Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 2.6 : Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.



A handwritten signature in blue ink, consisting of a stylized first name followed by a surname, written in a cursive style.

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.7 : Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- a. Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. Those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in Other income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds, net of direct costs of the capital issue.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

(iii) Impairments of financial assets

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

In case of other financial assets, at each reporting date, for recognition of impairment loss, 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.

(iv) Derecognition of financial assets

A financial asset is derecognized only when

- a. The Company has transferred the rights to receive cash flow from the financial asset or
- b. Retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

Note 2.8 : Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Note 2.9 : Financial liabilities

Classification, initial recognition and measurement

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

Subsequent measurement

Financial liabilities are carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. On derecognition of a financial liability the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

Note 2.10 : Provisions, contingent liabilities and contingent assets

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. The expense relating to any 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

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

Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefits is probable.

Note 2.11 : Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after 'income-tax' effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Note 3: Cash and cash equivalents

Particulars	As at 31 March, 2020	As at 31 March, 2019
Balances with banks		
-in current account	94,369	50,772
Total cash and cash equivalents	94,369	50,772

Note 4: Other current assets

Particulars	As at 31 March, 2020	As at 31 March, 2019
Advance for expenses	5,200	-
Total other current assets	5,200	-



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note: Equity share capital and other equity**Note 5(a): Equity share capital**

Authorised equity share capital	Number of shares	Amount
As at 31st March 2018	50,000	5,00,000
Movement during the year	-	-
As at 31st March 2019	50,000	5,00,000
Movement during the year	-	-
As at 31st March 2020	50,000	5,00,000

(i) Movements in equity share capital

Paid up Equity Share capital	Number of shares	Amount
As at 31st March 2018	10,000	1,00,000
Movement during the year	-	-
As at 31st March 2019	10,000	1,00,000
Movement during the year	-	-
As at 31st March 2020	10,000	1,00,000

Shares held by Holding Company:

10,000 (2018-19: 10,000) Equity shares of Rs.10/- each fully paid up held by Premier Explosives Limited

Terms and rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10/- per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(ii) Details of shareholders holding more than 5% shares in the company

Particulars	AS at 31 March, 2020		As at 31 March, 2019	
	Number of shares	% holding	Number of shares	% holding
Premier Explosives Limited	10,000	100%	10,000	100%

Note 5(b): Reserves and surplus

Particulars	As at 31 March, 2020	As at 31 March, 2019
(i) Retained earnings	(2,46,448)	(1,82,503)
Total reserves and surplus	(2,46,448)	(1,82,503)



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

(i) Retained earnings

Particulars	As at 31 March, 2020	As at 31 March, 2019
Opening balance	(1,82,503)	(86,859)
Net profit/(loss) for the Year	(63,945)	(95,644)
Items of other comprehensive income recognised directly in retained earning	-	-
Closing balance	(2,46,448)	(1,82,503)

Note 6: Borrowings

Particulars	As at 31 March, 2020	As at 31 March, 2019
Non-current		
Interest bearing loan from Holding Company*	2,15,203	1,03,375
Total other financial liabilities	2,15,203	1,03,375

*The above loan carries a Interest rate of 11% Per annum

Note 7: Other Financial liabilities

Particulars	As at 31 March, 2020	As at 31 March, 2019
Current		
Creditors for expenses	29,500	29,900
Total other financial liabilities	29,500	29,900

Note 8: Other Current liabilities

Particulars	As at 31 March, 2020	As at 31 March, 2019
Statutory liabilities payable	1,314	-
Total other current liabilities	1,314	-



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Note 9: Finance costs

Particulars	For the year ended 31 March, 2020	For the year ended 31 March, 2019
Interest expense	13,142	3,375
Total finance costs	13,142	3,375

Note 10: Other expenses

Particulars	For the year ended 31 March, 2020	For the year ended 31 March, 2019
Rates and taxes, excluding taxes on income	1,700	50,800
Payments to Auditors: As Statutory Auditor	29,500	29,500
Professional charges	18,600	6,000
General expenses	-	5,674
Bank charges	1,003	295.00
Total other expenses	50,803	92,269



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees, unless otherwise stated)

Financial Instruments and Risk Management

Note 11: Fair value measurement

Financial instruments by category

Particulars	As at 31 March, 2020			As at 31 March, 2019		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
A. Financial assets						
i) Cash and cash equivalents	-	-	94,369	-	-	50,772
Total financial assets	-	-	94,369	-	-	50,772
B. Financial liabilities						
i) Borrowings			2,15,203	-	-	1,03,375
ii) Other financial liabilities	-	-	29,500	-	-	29,900
Total financial liabilities	-	-	2,44,703	-	-	1,33,275



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note 12: Payables to Micro, Small & Medium Enterprises

There are no dues to micro and small enterprises as at 31 March, 2020 and 31 March, 2019.

Note 13: Segment Information**(a) Description of segments and principal activities**

The Director (Dr.A.N.Gupta) has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The Company is engaged in manufacture defence products and operates in a single operating segment. The Company is yet to commence operations.

Note 14: Related Party Transactions

(a) Holding Company : Premier Explosives Limited

(b) Key Management personnel(KMP) : Dr. A.N.Gupta
: Mr. T.V.Chowdary

(c) Transactions with Related Parties:

Particulars	2019-20		2018-19	
	Amount	Outstanding balance as at 31 March, 2020	Amount	Outstanding balance as at 31 March, 2019
Holding Company:		2,15,203 Credit		1,03,375 Credit
Loan taken	1,00,000		1,00,000	
Interest on loan taken	13,142		3,375	



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees, unless otherwise stated)

Note 15: Earnings/(Loss) per share

Particulars	As at 31 March, 2020	As at 31 March, 2019
(a) Basic EPS		
Basic earnings/(loss) per share attributable to the equity holders of the company	(6.39)	(0.96)
(b) Diluted EPS		
Diluted earnings/(loss) per share attributable to the equity holders of the company	(6.39)	(0.96)

(c) Reconciliation of earnings/(loss) used in calculating earnings per share

Particulars	As at 31 March, 2020	As at 31 March, 2019
Basic earnings/(loss) per share		
Profit/(Loss) attributable to the equity holders of the company used in calculating basic earnings/(loss) per share	(63,945)	(95,644)
Diluted earnings/(loss) per share		
Profit/(Loss) attributable to the equity holders of the company used in calculating diluted earnings/(loss) per share	(63,945)	(95,644)

(d) Weighted average number of shares used as the denominator

Particulars	As at 31 March, 2020	As at 31 March, 2019
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	10,000	1,00,000
Adjustments for calculation of diluted earnings per share:	Nil	Nil
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	10,000	1,00,000

Note 16: Impact of Covid-19

Covid-19 may not have significant impact on the Company's financial position, financial performance, cash flows and its ability to continue as a going concern after considering the possible effects as at the date of approval of these financial statements. The impact of Covid-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

The accompanying notes are an integral part of the financial statements

As per our report of even date

For P.V.R.K. NAGESWARA RAO & CO.,

Chartered Accountants

Firm's Registration Number: 002283S

N. Anka Rao
Partner
Membership Number: 23939
Secunderabad
24.06.2020



For and on behalf of the Board

Dr. A.N.Gupta
Director
(DIN: 00053985)

T.V. Chowdary
Director
(DIN: 00054220)