

**M/s. KUMBHAT FINANCIAL SERVICES LIMITED**  
**BALANCE SHEET AS AT 31-03-2021**

No.	PARTICULARS	Note No.	As at 31-03-2021	As at 31-03-2020
<b>I</b>	<b>ASSETS</b>			
(1)	<b>Financial Assets</b>			
	(a) Cash and Cash Equivalents	2	6.86	43.15
	(b) Bank Balances other than cash and cash equivalents	3	400.00	-
	(c) Other Receivables	4	-	0.75
	(d) Loans	5	0.00	457.32
	(e) Investments	6		
	-Quoted Equity Shares		6.95	5.68
	-Unquoted Equity Shares		12.00	12.00
	(f) Other Financial Assets	7	0.03	0.03
(2)	<b>Non-Financial Assets</b>			
	(a) Deferred Tax Asset (Net)	8	3.49	3.82
	(b) Property, Plant and Equipment	9	0.25	0.32
	(c) Other Current Assets	10	0.44	0.91
	<b>Total Assets</b>		<b>430.00</b>	<b>524.00</b>
<b>II</b>	<b>LIABILITIES AND EQUITY</b>			
	<b>Liabilities</b>			
(1)	<b>Financial Liabilities</b>			
	(i) Trade Payables			
	- total outstanding dues of micro enterprises and small enterprises		-	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
	(ii) Other Financial Liabilities			
	- total outstanding dues of micro enterprises and small enterprises		-	-
	- total outstanding dues of creditors other than micro enterprises and small enterprises	11	2.77	4.82
(2)	<b>Non-Financial Liabilities</b>			
	(a) Provisions	12	1.69	5.08
	(b) Other Current Liabilities	13	0.10	0.86
(3)	<b>Equity</b>			
	(a) Equity Share Capital	14	475.00	475.00
	(b) Other Equity (Refer Statement of changes in equity)		49.55	38.21
	<b>Total Liabilities and Equity</b>		<b>430.00</b>	<b>524.00</b>

Summary of significant accounting policies

1

The accompanying notes are an integral part of the financial statements

As per our report of even date

**Mardia & Associates**  
Chartered Accountants  
Firm Registration Number : 007888S

  
Manish Mardia

Proprietor  
M.No : 205307

Place : Chennai  
Date : 25/06/2021

For and on behalf of the Board of Directors

  
[Sanjay Kumbhat]  
Managing Director

  
[Sarika Kumbhat]  
Director

  
[S. Mohanraj]  
Company Secretary



M/s. KUMBHAT FINANCIAL SERVICES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31-3-2021

(Amount in Rs. Lakhs)

S.no.	Particulars	Note	As at 31-03-2021	As at 31-03-2020
I	Revenue from Operations	15	16.97	45.04
	<b>Total Revenue from Operation</b>		<b>16.97</b>	<b>45.04</b>
II	Other Income	16	0.00	5.94
III	<b>TOTAL INCOME (I+II)</b>		<b>16.97</b>	<b>50.97</b>
	<b>Expenses</b>			
	Employee Benefit Expenses	17	4.50	6.00
	Depreciation Amortisation and Impairment	9	0.07	0.16
	Other Expenses	18	100.72	17.95
	Net Loss on Fair Value Changes	19	(1.27)	0.18
	Impairment of Financial Instruments	20	-	4.98
IV	<b>TOTAL EXPENSES</b>		<b>104.02</b>	<b>29.27</b>
V	Profit/(Loss) before Tax (III-IV)		(87.05)	21.70
	Tax Expenses			
	-Current Tax		-	3.39
	-Tax for earlier period		0.38	-
	-Deferred Tax		0.33	(3.45)
VI	Total Tax expense		0.71	(0.06)
VII	<b>Profit/(Loss) after tax (V-VI)</b>		<b>(87.76)</b>	<b>21.76</b>
VIII	<b>Other Comprehensive Income</b>			
	A (i) Items that will not be reclassified to profit or loss			-
	(ii) Income tax relating to items that will not be reclassified to Profit and Loss			-
	B (i) Items that will be reclassified to profit or loss			-
	(ii) Income tax relating to items that will be reclassified to Profit and Loss			-
IX	<b>Total Comprehensive Income for the period (VII+VIII)</b>		<b>(87.76)</b>	<b>21.76</b>
X	<b>Earnings per equity share (FV of Rs.10)</b>			
	Basic & Diluted		(1.85)	0.46

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

**Mardia & Associates**

Chartered Accountants

Firm Registration Number : 0078885



**Manish Mardia**

Proprietor

M.No : 205307

Place : Chennai

Date : 25/06/2021



For and on behalf of the Board of Directors

[Sanjay Kumbhat]  
Managing Director

[Sarika Kumbhat]  
Director



[S. Mohanraj]  
Company Secretary

original

M/s. KUMBHAT FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31-03-2021

(Amount in Rs. Lakhs)

S.no.	Particulars	As at 31-03-2021	As at 31-03-2020
I	<b>Cash Flow from operating Activities</b>		
	Profit/(Loss) after Tax		
	Add: Tax paid	(87.76)	21.76
	<b>Adjustments of Non-cash and Non-operating items</b>		
	Add: -Deferred tax	0.33	(0.07)
	-Depreciation and Amortisation	0.07	0.16
	-Net Loss on Fair Value changes	1.27	0.18
	-Impairment of Financial Instruments	-	4.98
	-Tax for earlier period	-	-
	-Fixed Assets written off	-	-
	-Bad debts written off	65.72	-
	Less: -Impairment loss allowance	-	-
	-Dividend Income	0.02	0.05
	<b>Operating Profits before Working Capital Changes</b>	<b>(22.94)</b>	<b>26.97</b>
	<b>Adjustment for Working Capital Changes</b>		
	Add: Increase in Current Liabilities	-	3.09
	Decrease in Current Assets	1.22	-
	Less: Increase in Current Assets	400.00	0.75
	Decrease in Current Liabilities	6.19	-
	<b>Cash generated from operations</b>	<b>427.91</b>	<b>29.31</b>
	Less: Tax Paid	-	0.67
	<b>Net Cash from Operating Activities</b>	<b>(A) - 427.91</b>	<b>28.64</b>
II	<b>Cash Flow from Investing Activities</b>		
	Purchase of Fixed Assets	-	(0.22)
	Dividend Income	0.02	0.05
	<b>Net Cash from Investing Activities</b>	<b>(B) 0.02</b>	<b>0.17</b>
III	<b>Cash Flow from Financing Activities</b>		
	Loans given	-	138.37
	Repayments received	391.59	152.01
	<b>Net Cash from Financing Activities</b>	<b>(C) 391.59</b>	<b>13.64</b>
	<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>	<b>(A+B+C) (36.29)</b>	<b>42.12</b>
	- cash and cash equivalents at the beginning of the year	43.15	1.04
	<b>Cash and cash equivalents at the end of the year</b>	<b>6.86</b>	<b>43.15</b>

Summary of significant accounting policies

The accompanying notes are an integral part of the financial statements

As per our report of even date

For Mardia & Associates

Chartered Accountants

Firm Registration Number : 007888S

  
Manish Mardia

Proprietor

M.No : 205307

Place : Chennai

Date : 25/06/2021

For and on behalf of the Board of Directors



[Sanjay Kumbhat]  
Managing Director



[Sarika Kumbhat]  
Director



[S. Mohanraj]  
Company Secretary



**M/s KUMBHAT FINANCIAL SERVICES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY for the year ended 31-03-2021**

(Amount in Rs. Lakhs)

A. Equity Share Capital	
Particulars	Amount
Balance as at 01-04-2019	475.00
Changes in Equity Share capital during the year	-
Balance as at 31-03-2020	475.00
Balance as at 01-04-2020	475.00
Changes in Equity Share capital during the year	-
Balance as at 31-03-2021	475.00

**B. Other Equity**

Particulars	Reserves and Surplus			Other Comprehensive Income	Total
	General Reserve	Statutory Reserve	Retained Earnings		
Balance as on 01-04-2019	100.20	42.72	126.47	-	16.45
Profit after tax	-	6.00	21.76	-	27.76
Appropriations/Transfer*	-	-	6.00	-	6.00
Balance as on 31-03-2020	100.20	48.72	110.71	-	38.21
Balance as on 01-04-2020	100.20	48.72	110.71	-	38.21
Profit after tax	-	-	87.76	-	87.76
Appropriations/Transfer*	-	-	-	-	-
Balance as on 31-03-2021	100.20	48.72	198.47	-	49.55

\* Company has transferred a sum of not less than twenty percent of the current year's profit after tax as disclosed in the profit & loss statement to Statutory Reserve pursuant to Section 45-IC of the RBI Act, 1934

Accompanying notes are an integral part of the financial statements



per our report of even date

**Mardia & Associates**  
Chartered Accountants

Firm Registration Number : 007888S



**Anish Mardia**  
Proprietor  
No : 205307



Office : Chennai  
Date : 25/06/2021

For and on behalf of the Board of Directors



[Sanjay Kumbhat]  
Managing Director



[Sarika Kumbhat]  
Director



[S Mohanraj]  
Company Secretary



M/s KUMBHAT FINANCIAL SERVICES LIMITED

NOTES TO BALANCE SHEET AS AT 31ST MARCH 2021

(Amount in Rs. Lakhs)

ASSETS

2 Cash and Cash Equivalents

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Cash on Hand	0.08	0.33
2	Balance with Bank	6.78	42.82
	<b>Total</b>	<b>6.86</b>	<b>43.15</b>

3 Bank Balances other than cash and cash equivalents

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Fixed deposits with Bank	400.00	-
	<b>Total</b>	<b>400.00</b>	<b>-</b>

4 Other Receivables

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
	Receivables considered good - unsecured	-	0.75
	<b>Total</b>	<b>-</b>	<b>0.75</b>

5 Loans (Carried at Amortised Cost)

Particulars	As at 31.03.2021	As at 31.03.2020
Commercial Loans - Unsecured	79.93	552.69
Impairment Loss Allowance	79.93	95.37
<b>Total</b>	<b>0.00</b>	<b>457.32</b>

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year end stage classification.

Particulars	Stage 1	Stage 2	Stage 3
Standard	-	81.16	-
Sub-Standard	-	-	-
Doubtful	-	-	79.93
Loss	-	-	79.93
<b>Total</b>	<b>-</b>	<b>81.16</b>	<b>79.93</b>

Reconciliation of ECL Balance

Particulars	As at 31.03.2021			
	Stage 1	Stage 2	Stage 3	Total
ECL - Opening Balance	2.12	13.32	79.93	95.37
New assets originated or purchased	-	-	-	-
Assets derecognised or repaid	-	-	-	-
Transfers to/from Stage 1	2.12	-	-	2.12
Transfers to/from Stage 2	-	-	-	-
Transfers to/from Stage 3	-	-	-	-
Amount written off	-	-	-	-
ECL - Closing Balance	0.00	13.32	79.93	93.25

6 Investments (measured at FVTPL)

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
a.	Quoted Equity Shares	6.95	5.68
b.	Unquoted Equity Shares	12.00	12.00
	<b>Total Investments</b>	<b>18.95</b>	<b>17.68</b>

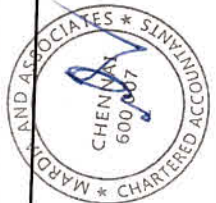
Fair Value measured at Level 1 for quoted and unquoted shares.

7 Other Financial Assets (Carried at Amortised Cost)

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Service Deposits	0.03	0.03
	<b>Total</b>	<b>0.03</b>	<b>0.03</b>

10 Other Current Assets

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	TDS receivable	0.44	0.91
	<b>Total</b>	<b>0.44</b>	<b>0.91</b>



Note No.:

8 Deferred Tax Assets (Net)		As at 31.03.2021	As at 31.03.2020
Particulars			
Deferred Tax Asset			
Opening Balance	0.43		0.37
Provision during the year	0.33		0.06
Closing Balance	0.10		0.43
<b>Particulars</b>	<b>As at 31.03.2021</b>	<b>As at 31.03.2020</b>	
MAT credit Entitlement	3.39	3.39	3.39
	3.39		3.39
<b>Total</b>			

Deferred Tax Asset and Deferred Tax Liability have been offset as they relate to the same governing taxation laws.

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



M/s. KUMBHAT FINANCIAL SERVICES LIMITED

(Amount in Rs. Lakhs)

Note No.: 9

Tangible Assets

SL.No	Particulars	Gross Block			Depreciation			Net Block		
		As on 01.04.2020	Additions	Deletions	As on 31.03.2021	As on 01.04.2020	For the year	Deletions	As on 31.03.2021	As on 31.03.2020
(a)	Furniture & Fittings	0.22	-	-	0.22	0.02	-	0.04	0.18	0.20
(b)	Computers	3.55	-	-	3.55	0.05	-	3.48	0.07	0.12
	Total CY	3.77	-	-	3.77	0.07	-	3.52	0.25	0.32

SL.No	Particulars	Gross Block			Depreciation			Net Block		
		As on 01.04.2019	Additions	Deletions	As on 31.03.2020	As on 01.04.2019	For the year	Deletions	As on 31.03.2020	As on 31.03.2019
(a)	Furniture & Fittings	-	0.22	-	0.22	-	-	0.02	0.20	-
(b)	Computers	3.55	-	-	3.55	0.14	-	3.43	0.12	0.26
	Total CY	3.55	0.22	-	3.77	0.16	-	3.45	0.32	0.26





**LIABILITIES**

**11 Other Financial Liabilities**

Creditors for Expenses		As at 31.03.2021	As at 31.03.2020
S.no.	Particulars		
	Creditors for Expenses	2.77	4.82
	<b>Total</b>	<b>2.77</b>	<b>4.82</b>

Note No.:

**12 Provisions**

Particulars		As at 31.03.2021	As at 31.03.2020
S.no.	Particulars		
1	Provision for Employee Benefits	1.69255	1.69
2	Provision for Income Tax	-	3.39
	<b>Total</b>	<b>1.69</b>	<b>5.08</b>

Note No.:

**13 Other Current Liabilities**

Particulars		As at 31.03.2021	As at 31.03.2020
S.no.	Particulars		
1	TDS payable	0.10	0.86
	<b>Total</b>	<b>0.10</b>	<b>0.86</b>

Note No.:

**EQUITY**

**14 Share Capital**

Particulars		As at 31.03.2021	As at 31.03.2020
S.no.	Particulars		
1	Authorised share capital		1,000.00
	1,00,00,000 equity share of Rs.10 each	1,000.00	
2	Issued, subscribed and fully paid up shares		
	47,50,000 equity shares of Rs.10 each	475.00	475.00
	<b>Total</b>	<b>475.00</b>	<b>475.00</b>

Note No.:



Particulars	As at 31.03.2021		As at 31.03.2020	
	Number of Shares	Amount	Number of Shares	Amount
Shares outstanding at the beginning of the year	47.50	475.00	47.50	475.00
Shares issued during the year	-	-	-	-
Shares brought back during the year	-	-	-	-
Shares outstanding at the end of the year	47.50	475.00	47.50	475.00

**Terms and rights attached to the shares**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. No dividend has been recognised as distribution to equity shareholders for the Year ended 31.03.2021 (31.03.2020- Rs.NIL). In the event of liquidation of company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution to all preferential amounts. The distributions will be in proportion to the number of shares held by the share holder.

**Share Holding**

No individual share holder of the company holds more than 5% of the equity shares.



M/s. KUMBHAT FINANCIAL SERVICES LIMITED

NOTES TO STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31-03-2021  
(Amount in Rs. Lakhs)

INCOME

Note No.: 15 Revenue From Operations

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
	Interest Income on Financial Assets measured at Amortised Cost		
1	- Commercial Loans	16.93	44.99
2	Bank Interest	0.02	
3	Dividend Income	0.02	0.05
	<b>Total</b>	<b>16.97</b>	<b>45.04</b>

Note No.: 16 Other Income

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Bad Debts Recovered	0	5.94
	<b>Total</b>	<b>-</b>	<b>5.94</b>

EXPENSES

Note No.: 17 Employee Benefit Expenses

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Salaries and Wages	4.50	6.00
	<b>Total</b>	<b>4.50</b>	<b>6.00</b>

Note No.: 18 Other Expenses

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
1	Administrative Expenses		
	- Rent	2.88	1.50
	- Advertisement Expense	1.43	0.77
	- Office Expense		0.65
	- Printing and Stationery	0.48	0.04
	- Bank Charges	0.06	0.07
	- Audit Fees	0.75	0.75
	- Membeship and Subscription	0.30	0.12
	- Rates and Taxes #	25.71	8.02
	- Communication Expenses	0.06	0.12
	- Professional Charges	2.95	1.64
	- Sundry expenses*	0.24	4.21
	- Conveyance Expense	0.15	0.05
	- Bad debts written off	65.72	-
		<b>100.72</b>	<b>17.95</b>

#Rates and Taxes includes revocation fees paid to BSE amounting to Rs. 21.24 Lakhs (Previous year Rs. Nil)



Note No.: 19 Net Loss on Fair Value Changes

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
	Net Loss on Financial Instruments at Fair Value through Profit and Loss		
1	- Financial Assets	(1.27)	0.18
	<b>Total</b>	<b>(1.27)</b>	<b>0.18</b>

Note No.: 20 Impairment of Financial Assets

S.no.	Particulars	As at 31.03.2021	As at 31.03.2020
	On Financial Instruments measured at Amortised Cost		
	- Commercial Loan	-	4.98
	<b>Total</b>	<b>-</b>	<b>4.98</b>

As per our report of even date

**Mardia & Associates**

Chartered Accountants

Firm Registration Number : 007888S



**Manish Mardia**

Proprietor

M.No : 205307

Place : Chennai

Date : 25/06/2021



For and on behalf of the Board of Directors



**[Sanjay Kumbhat]**

Managing Director



**[Sarika Kumbhat]**

Director



**[S Mohanraj]**

Company Secretary



## KUMBHAT FINANCIAL SERVICES LIMITED

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

#### Company Overview

Kumbhat Financial Services Limited (“the Company”) is a Public company incorporated in India in 1993 and is having registered at No.144, NSC Bose Road, Chennai-600 001, Tamil Nadu. The Company is registered as a Non-Banking Financial Company (Non-Deposit taking) with Reserve Bank of India and is primarily engaged in the business of financing of commercial loans. The equity shares of the Company are listed on Bombay Stock Exchange.

#### Basis of preparation and presentation

##### ➤ Compliance with Ind AS

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act. In addition, the directions of Reserve Bank of India, the Guidance Notes and announcements issued by the Institute of Chartered Accountants of India are also applied, except where the compliance with other statutory provisions requires different treatment.

##### ➤ Historical Cost Convention

The Financial Statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below.

The financial statements have been prepared on a going concern basis, as the management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. The outbreak of COVID-19 has not affected the going concern assumption of the Company. The Company uses accrual basis of accounting except in case of significant uncertainties.

All the amounts included in Standalone Financial Statements are reported in Indian Rupees in Lakh, which is the functional currency of the Company.

The Company presents its Balance Sheet in the order of liquidity.

##### ➤ Critical accounting estimates and judgements

The preparation of the Company’s financial statements in conformity with Ind AS requires the management of the Company to make use of estimates, assumptions and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from those on which the Management’s estimates are based. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Accounting estimates and judgments are used in various line items in the financial statements for e.g.:

- Business model assessment
- Fair value of financial instruments
- Effective Interest Rate (EIR)



- Impairment on financial assets (ECL)
- Provisions and other contingent liabilities
- Provision for tax expenses
- Residual value and useful life of property, plant and equipment

## 1. Summary of 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.

### 1.1. Revenue Recognition

#### (i) Interest income

The Company recognises interest income on an accrual basis, using Effective Interest Rate (EIR) on all financial assets subsequently measured at amortised cost or fair value through other comprehensive income (FVOCI). The EIR is the rate that exactly discounts estimated future cash receipts (including all fees, transaction costs and other premiums or discounts paid or received) through the expected life of the financial instrument to the carrying amount on initial recognition. Accordingly EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or assumption of a financial liability.

The Company recognises interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets regarded as 'stage 3', the Company recognises interest income on the amortised cost net of impairment loss of the financial asset at EIR. If the financial asset is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

Delayed payment interest (penal interest), if any, levied on customers for delay in repayments/non-payment of contractual cashflows as per the agreed terms and conditions of the loan, is recognised on realisation.

#### (ii) Dividend income

Dividend income on equity shares is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividend be measured reliably.

#### (iii) Other revenue from operations

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial Instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at fair value of the consideration received or receivable.

**(iv) Recoveries of financial assets written off**

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

**1.2. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, 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 net of outstanding bank Cash Credits repayable on demand, as they are considered an integral part of the Company's cash management.

Cash flow statements are reported using indirect method and the cash flows from operating, investing and financing activities of the Company are segregated.

**1.3. Financial instruments**

A financial instrument is defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. Trade receivables and payables, loan receivables, investments in securities and subsidiaries, debt securities and other borrowings, preferential and equity capital etc. are some examples of financial instruments.

**Financial Assets and Liabilities - Initial Recognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. All the financial instruments are recognised on the date when the Company becomes party to the contractual provisions of the financial instruments.

All financial assets and Liabilities are initially recognised at fair value.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities that are measured at amortised cost are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

For tradable securities, the Company recognises the financial instruments under Settlement date Accounting.





## **Classification and Subsequent measurement**

### **Financial Assets:**

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at Amortised Cost only if both of the following conditions are met:

- The asset is held with a Business model whose objective is to hold them to collect contractual cash flows and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the amount outstanding

Such Financial assets are subsequently measured at amortised cost using the Effective Interest rate method.

Financial assets are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI) if:

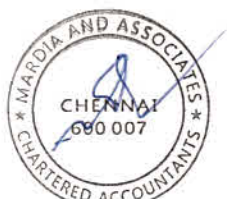
- The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal and the interest (SPPI) on the principal outstanding.

Any financial instrument, which does not meet the criteria for categorisation as amortized cost or as Fair Value Through Other Comprehensive Income (FVTOCI), is classified as at Fair Value Through P&L (FVTPL).

The Company classifies financial assets which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend incomes are recorded in interest income and dividend income, respectively according to the terms of the contract, or when the right to receive the same has been established. Gain and losses on changes in fair value of debt and equity instruments are recognised on net basis through profit or loss.

### **Financial Liabilities:**

All financial liabilities are subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVTPL. A financial liability is classified as FVTPL if it is held-for-trading or it is a derivative or it is designated as FVTPL on initial recognition. Interest expense, foreign exchange gains (losses) and any gains and losses on de-recognition are recognised in the profit or loss.



## **Derecognition of Financial Assets and Financial Liabilities**

### **Financial Assets:**

The Company derecognises a financial asset (or, where applicable, a part of a financial asset) when and only when :

- The right to receive cash flows from the asset have expire,(or)
- The Company has transferred its right 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 an assignment arrangement and the Company has transferred substantially all the risks and rewards of the asset. Once the asset is derecognised, the Company does not have any continuing involvement in the same.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all or substantially all the risks and rewards of the transferred assets, the transferred assets are not de-recognised.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss.

### **Financial liabilities:**

The Company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expired.

### **Impairment of financial assets**

The Company assess on the forward looking basis the expected credit losses associated with its financial assets held under amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Based on the methodology the Company is formulating the risk evaluation based impairment framework.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' and for which a 12 month ECL is recognised.

Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Lifetime ECL is recognised for stage 2 and stage 3 financial assets.

Financial assets (and the related impairment loss allowances) are written off in full, when there is no realistic prospect of recovery.

### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet when, and onlywhen,

- there is an enforceable legal right to offset the recognised amounts and





- an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

During the financial year no offsetting of financial instruments has been made in the financial statements.

#### 1.4. Fair Value

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.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

Fair value measurements are categorised into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows :

- Level 1 inputs are quoted prices unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 1.5. Taxes

Income Tax expense represents the aggregate amount included in the determination of Profit or Loss for the period in respect of Current Tax and Deferred Tax.

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid/payable to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other 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.

##### (ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible





temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date.

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

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

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

### (iii) Minimum Alternate Tax (MAT)

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

## 1.6. Property, Plant and Equipment (PPE)

Cost model is adopted for Property, Plant and Equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

- (a) it is probable that future economic benefits associated with the item will flow to the entity and
- (b) the cost of the item can be measured reliably.

The cost of property, plant and equipment comprises its purchase price net of any trade discounts and rebates, any non-refundable import duties and other taxes, any directly attributable expenditure on making the asset ready for its intended use by the Management, including relevant borrowing costs for qualifying assets and any expected costs of decommissioning.





Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are charged to Statement of Profit and Loss in the period in which the costs are incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in Statement of Profit and Loss.

### **1.7. Intangible Assets**

An intangible asset is recognised if, and only if (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and (b) the cost of the asset can be measured reliably as per the assessment of the management.

Intangible assets with finite useful lives that are acquired separately are initially recognized at Cost which comprises of the purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of preparing the asset for its intended use, and subsequently carried at cost less accumulated amortization and accumulated impairment losses.

In respect of Computer software, it is the policy of the Company to capitalize the Cost of the software and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

As at the date of the Financial Statements the Company doesn't have any Intangible Assets in use.

### **1.8. Depreciation on Property, Plant and Equipment**

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The useful life of an asset is the period over which an asset is expected to be available for use by an entity.

Amortisation is recognised on a straight- line basis over the estimated useful lives.

Depreciation and amortization on property, plant and equipment and intangible assets added/disposed off during the year has been provided on pro-rata basis with reference to the date of addition/disposal.

Depreciation and amortization methods, useful lives and residual values are reviewed periodically as appropriate in the views of the management and also at the end of each reporting period and adjusted if required.

There are no assets under Financial Lease during the Financial year.

Estimated useful lives of the assets are considered as determined by the management and in respect of an item of PPE having individual value up to Rs. 5,000/- is depreciated fully in the financial year of purchase of asset.

#### **1.9. Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss based on the internal and external factors. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount where the recoverable amount is the higher of the net selling price of the assets and their value in use.

There are no Intangible Assets with indefinite useful lives.

#### **1.10. Provisions and contingent liabilities**

##### **Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

##### **Contingent Liabilities**

A disclosure for contingent liabilities is made where there is:

- a. possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity (or)
- b. a present obligation that arises from past events but is not recognized because 1). it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or 2). the amount of the obligation cannot be measured with sufficient reliability.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.





### 1.11. Foreign currency translation

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

#### **Initial recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### **Conversion**

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non- monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

#### **Exchange differences**

All exchange differences are accounted in the Statement of Profit and Loss.

During the year, there are no foreign currency transactions.

### 1.12. Employee benefits

#### **Short term Employee benefits**

Short term employee benefits for services rendered by employees are recognised during the period when the services are rendered.

#### **Post Employment benefits**

As the number of persons employed by the Company on roll fall below the limits (at any point of time during the year) prescribed Employee Provident Fund Act, 1952 and Employee State Insurance Act, 1948 the Company is not covered under the said Acts and hence no obligation arises on the part of the Company to contribute for the post employments benefit funds as per the respective acts.

Likewise the Company is not covered by Payment of Gratuity Act, 1972 as it doesn't have number employees beyond the threshold limit. Hence the Company is not required to carry out actuarial valuation for the Gratuity liabilities and make provisions accordingly. However the Company, for the sake of the employee benefits, is making provisions for Gratuity at the rate prescribed under the Payment of Gratuity Act, 1972 and the estimations are made on the basis of number of years served by the employee consecutively for a period more than 5 years.

### 1.13. Earning Per Share:

Basic earnings per share is calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

Diluted earnings per share is computed by dividing the profit/ (loss) for the year attributable to equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.



**1.14. Non-adjusting events after the reporting period:**

The board of directors approved the following items on 31<sup>st</sup> March, 2021 which was later voted in favour of, in the Virtual Extra Ordinary General Meeting held on 17<sup>th</sup> May 2021:

1. Increase in Authorised share capital of the company from existing Rs.10,00,00,000 to Rs.15,00,00,000.
2. Preferential allotment of 90,00,000 equity shares of Rs.10/- each

Subject to the receipt of various statutory approvals and compliance with regulation 31A of the extant SEBI (LODR) Regulations, 2015, the proposed allottees of the preferential allotment shall be the new promoters of the company and classified under promoter group category accordingly.

**1.15. Approval of financial statements**

The financial statements were approved for issue by the board of directors on 25<sup>th</sup> May, 2021.

