INDEPENDENT AUDITOR'S REPORT

To the Members of Mahindra Electric Mobility Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mahindra Electric Mobility Limited** ("the Company"), which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the 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 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs 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 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 Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Report of the Board of Directors, but does not include the financial statements and our auditors' 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 in the 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.

Management's and Board of Directors' Responsibility for the Financial Statements

The Company's Management and Board of Directors are 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 state of affairs, loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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, the Management and Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is 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. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors 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.

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 (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

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

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

   c) The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows 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.

   e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its financial statements - Refer note 17 and 35 to the financial statements;

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

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.

   (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Amrit Bhansali
Partner
Membership No. 065155
ICAI UDIN: 20065155AAAACG2394

Place: Bengaluru

Date: 11 May 2020

ANNEXURE - A TO THE INDEPENDENT AUDITORS' REPORT

With respect to the Annexure A referred to in paragraph 1 under Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report to the members of the Company on the IND AS financial statements for the year ended 31 March 2020, we report that:

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

(ii) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between the physical stock and the book records were not material. For stocks lying with third parties at the year-end, written confirmation have been obtained by the management.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company.

(iv) According to the information and explanations given to us, there are no loans, investments, guarantees and security given in respect of which provisions of section 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company.

(v) The Company has not accepted any deposits from the public. Accordingly, the provisions of clause 3(v) of the Order are not applicable to the Company.

(vi) The Central Government has not prescribed the maintenance of cost records under Section 148 of the Act for any of the products manufactured/services rendered by the Company.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, goods and services tax, cess and any other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee state insurance, income-tax, duty of customs, goods and services tax, cess and any other material statutory dues were in arrears, as at 31 March 2020, for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of income-tax or duty of customs or goods and services tax or service-tax or duty of excise which have not been deposited by the Company on account of disputes, except for the following:

Name of statue	Nature of dues	Amount (INR)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Duty of Excise	5,142,000	AY 2009 -2011	High Court of Karnataka
Central Excise Act, 1944	Duty of Customs	9,600,000	AY 2016-2017	CESTAT
Finance Act, 1994	Service tax	6,896,608	AY 2006 - 2009	CESTAT*
Finance Act, 1994	Service tax	10,228,255	AY 2006 -2015	Additional Commissioner of Service tax*
Income tax Act, 1961	Income tax	110,000,000	AY 2012-2013	Income Tax Appellate Tribunal**

* The amounts mentioned constitute 70% of the amount of Service tax and 100% of interest and penalty thereon as demanded in the order, as the remaining 30% of the Service tax demanded has been paid under Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, whereof the final discharge certificates are pending to be issued by the designated committee formed under the said scheme.

** Against the above, amount of INR 16,500,000 is paid under protest for Income Tax. Refer note 10 for details.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks and Government. The Company did not have dues to financial institutions and debenture holders during the year.

(ix) According to the information and explanations given to us and based on examination of the records of the Company, the term loans were applied for the purpose for which they were obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) According to the information and explanations given to us, no material fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.

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

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

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

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

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, clause 3(xv) of the Order is not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, clause 3(xvi) of the Order is not applicable to the Company.

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Amrit Bhansali
Partner
Membership No. 065155
ICAI UDIN: 20065155AAAACG2394

Place: Bengaluru
Date: 11 May 2020

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF MAHINDRA ELECTRIC MOBILITY LIMITED FOR THE YEAR ENDED 31 MARCH 2020.

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

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

Opinion

We have audited the internal financial controls with reference to financial statements of Mahindra Electric Mobility Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

For B S R & Co. LLP
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Amrit Bhansali
Partner
Membership No. 065155
ICAI UDIN: 20065155AAAACG2394

Place: Bengaluru
Date: 11 May 2020

BALANCE SHEET AS AT 31 MARCH 2020

(₹ in lakhs)

	Notes	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	**14,228**	14,544
Capital work-in-progress	4	**5,212**	1,074
Right of Use Assets	5	**3,646**	–
Other intangible assets	6	**4,662**	6,336
Intangible assets under development	7	**11,436**	2,384
Financial assets			
Loans	8	**310**	289
Non-current tax assets	9	**1,145**	738
Other non-current assets	10(a)	**1,218**	3,873
		41,857	29,238
Current assets			
Inventories	11	**3,369**	4,516
Financial assets			
Trade receivables	12	**4,497**	2,056
Cash and cash equivalents	13	**62**	3
Other current assets	10(b)	**7,072**	7,319
Assets held for sale	14	**147**	148
		15,147	14,042
TOTAL ASSETS		**57,004**	43,280
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	**32,319**	30,735
Other equity		**(5,497)**	(2,693)
Total equity		**26,822**	28,042
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	16(a)	**10,701**	876
Provisions	17(a)	**1,004**	957
Other non-current liabilities	18(a)	**–**	13
		11,705	1,846
Current liabilities			
Financial liabilities			
Borrowings	16(b)	**3,500**	1,570
Trade payables	19		
Total outstanding dues of micro and small enterprises		**188**	464
Total outstanding dues of creditors other than micro and small enterprises		**6,119**	5,728
Other financial liabilities	20	**5,853**	3,447
Provisions	17(b)	**550**	695
Other current liabilities	18(b)	**2,267**	1,488
		18,477	13,392
		30,182	15,238
TOTAL EQUITY AND LIABILITIES		**57,004**	43,280
Summary of significant accounting policies	2.3		

The accompanying notes form an integral part of the IND AS financial statements.

As per our report of even date attached:

For B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership Number: 065155

Place: Bengaluru
Date: 11 May 2020

For and on behalf of the Board of Directors of:

Mahindra Electric Mobility Limited

Dr. Pawan Kumar Goenka Chairman DIN: 00254502
Arvind Mathew Director DIN: 01377003
Saroj Khuntia Chief Financial Officer
Mahesh Babu Chief Executive Officer
Jignesh Parikh Company Secretary

Date: 06 May 2020

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2020

(₹ in lakhs except per share data)

	Notes	**For the year ended 31 March 2020**	For the year ended 31 March 2019
Income			
Revenue from operations	21	**27,261**	24,906
Other income	22	**629**	224
Total Income		**27,890**	25,130
Expenses			
Cost of materials consumed	23	**13,576**	11,848
Changes in inventories of finished goods	24	**248**	(130)
Employee benefits expense	25	**6,263**	6,409
Finance cost	26	**433**	96
Depreciation and amortisation expense	27	**5,062**	3,936
Other expenses	28	**7,831**	8,269
Total Expenses		**33,413**	30,428
Loss before tax		**(5,523)**	(5,298)
Tax expense			
Current tax		**–**	–
Deferred tax	36	**–**	–
Loss for the year		**(5,523)**	(5,298)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plan, net of tax	32	**22**	(71)
		22	(71)
Total comprehensive loss for the year attributable to the owners of the Company		**(5,501)**	(5,369)
Earnings per equity share of face value Rs. 10 each			
Basic and Diluted Earnings per equity share	31	**(1.72)**	(1.82)
Summary of significant accounting policies	2.3		

The accompanying notes form an integral part of the IND AS financial statements.

As per our report of even date attached:

For B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership Number: 065155

Place: Bengaluru
Date: 11 May 2020

For and on behalf of the Board of Directors of:

Mahindra Electric Mobility Limited

Dr. Pawan Kumar Goenka	Chairman	DIN: 00254502
Arvind Mathew	Director	DIN: 01377003
Saroj Khuntia	Chief Financial Officer	
Mahesh Babu	Chief Executive Officer	
Jignesh Parikh	Company Secretary	

Date: 06 May 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

(₹ in lakhs)

Equity share capital*	
As at 1 April 2018	26,980
Issued during the year	3,755
Balance as at 31 March 2019	30,735
As at 1 April 2019	30,735
Issued during the year	1,584
Balance as at 31 March 2020	**32,319**

* Refer Note 15

Other Equity

(₹ in lakhs)

Particulars	Reserves and surplus			Items of Other Comprehensive Income	
	Securities premium	Share options outstanding account #	Retained earnings	Remeasurement of defined benefit liability, net of tax	Total
Balance as at 1 April 2018	65,186	75	(68,648)	–	(3,387)
Total comprehensive income for the year					
Loss for the year	–	–	(5,298)	–	(5,298)
Other Comprehensive Income	–	–	–	(71)	(71)
Total Comprehensive Income	–	–	(5,298)	(71)	(5,369)
Transferred to retained earnings	–	–	(71)	71	–
Contributions by and distributions to owners					
Issue of equity shares	5,611	–	–	–	5,611
Share based payments #	–	452	–	–	452
Total contributions by and distributions to owners	5,611	452	(71)	71	6,063
Balance as at 31 March 2019	**70,797**	**527**	**(74,017)**	–	**(2,693)**
Total comprehensive income for the year					
Loss for the year	**–**	**–**	**(5,523)**	**–**	**(5,523)**
Other comprehensive income	**–**	**–**	**–**	**22**	**22**
Total comprehensive income	**–**	**–**	**(5,523)**	**22**	**(5,501)**
Transferred to retained earnings	**–**	**–**	**22**	**(22)**	**–**
Contributions by and distributions to owners					
Issue of equity shares under ESOP	**15**	**(10)**	**–**	**–**	**5**
Issue of equity shares (Right Issues)	**2,432**	**–**	**–**	**–**	**2,432**
Share based payments #	**–**	**260**	**–**	**–**	**260**
Total contributions by and distributions to owners	**2,447**	**250**	**22**	**(22)**	**2,697**
Balance as at 31 March 2020	**73,244**	**777**	**(79,518)**	**–**	**(5,497)**

 # Refer Note 33

Nature and purpose of Reserves

(a) Securities Premium

Securities premium is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of section 52 of the Companies Act, 2013.

(b) Share options outstanding Account

The share options outstanding account is used to recognise the grant date fair value of options during the vesting period issued under Mahindra Electric Mobility Limited ESOP Scheme ('MEML ESOP - 2017').

As per our report of even date attached:

For B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership Number: 065155

Place: Bengaluru
Date: 11 May 2020

For and on behalf of the Board of Directors of:

Mahindra Electric Mobility Limited

Dr. Pawan Kumar Goenka	Chairman	DIN: 00254502
Arvind Mathew	Director	DIN: 01377003
Saroj Khuntia	Chief Financial Officer	
Mahesh Babu	Chief Executive Officer	
Jignesh Parikh	Company Secretary	

Date: 06 May 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

(₹ in lakhs)

Particulars	Notes	For the year ended 31 March 2020	For the year ended 31 March 2019
Cash flows from Operating Activities			
Loss before tax for the year		**(5,523)**	(5,298)
Adjustments for:			
Provisions no longer required written back		**(581)**	–
Allowances for expected credit losses on Financial Assets		**56**	107
Finance costs recognised in the Statement of Profit and Loss		**433**	96
Interest Income		**(18)**	(37)
Net Gain on sale of Current Investment		**–**	(5)
Share-based payment expense		**250**	476
(Profit)/loss on disposal of Property, Plant and Equipment (Net)		**12**	(14)
Depreciation and Amortisation Expense		**5,062**	3,936
Provision for Asset held for Sale		**–**	66
Advances written off		**5**	–
Property, Plant and Equipment written off		**–**	63
Net Foreign exchange Loss/(gain)		**76**	(56)
Operating Cash Flows before Working Capital changes		**(228)**	(666)
Changes in :			
Trade Receivables, other current and non-current assets		**(2,029)**	(3,983)
Inventories		**1,147**	(878)
Trade and Other Payables and Provisions		**1,288**	2,051
Cash generated from operations		**178**	(3,476)
Income taxes paid		**(408)**	(225)
Net cash flows used in operating activities		**(230)**	(3,701)
Cash flows from Investing Activities			
Acquisition of Property, Plant and Equipment and Intangible Assets		**(15,107)**	(7,900)
Proceeds from disposal of Property, Plant and Equipment		**88**	74
Interest received		**–**	38
Acquisition of investments		**–**	(1,696)
Proceeds from sale of investments		**–**	1,993
Net cash flows used in investing activities		**(15,019)**	(7,491)
Cash flows from financing activities			
Proceeds from issue of equity share capital (including securities premium)		**4,031**	9,366
Proceeds from non-current borrowings	16.02	**10,000**	–
Proceeds from working capital loan(Net)	16.02	**1,930**	1,570
Proceeds from Inter Corporate Deposit	37	**4,500**	–

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

(₹ in lakhs)

Particulars	Notes	For the year ended 31 March 2020	For the year ended 31 March 2019
Repayment of non-current borrowing	**16.02**	**(175)**	(175)
Repayment of Inter Corporate Deposit	37	**(4,500)**	–
Interest paid		**(510)**	(129)
Net cash flows from financing activities		**15,276**	10,632
Net increase/(decrease) in cash and cash equivalents		**27**	(560)
Cash and cash equivalents at the beginning of the year		**3**	563
Cash and cash equivalents at the end of the year		**30**	3
Components of cash and cash equivalents	13		
Cash and cash equivalents		**62**	3
Less: Book Overdraft		**(32)**	–
		30	3

Summary of significant accounting policies 2.3

The accompanying notes are an integral part of the IND AS financial statements.

Note :

i) The above Statement of Cash Flows has been prepared under the “indirect method” as set out in ‘Indian Accounting Standard (Ind AS) 7 – Statement of Cash Flows’.

ii) The accompanying notes are an integral part of the IND AS financial statements.

iii) Figures in brackets indicate Outflows.

As per our report of even date attached:

For B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership Number: 065155

Place: Bengaluru
Date: 11 May 2020

For and on behalf of the Board of Directors of:

Mahindra Electric Mobility Limited

Dr. Pawan Kumar Goenka	Chairman	DIN: 00254502
Arvind Mathew	Director	DIN: 01377003
Saroj Khuntia	Chief Financial Officer	
Mahesh Babu	Chief Executive Officer	
Jignesh Parikh	Company Secretary	

Date: 06 May 2020

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Reporting Entity

Mahindra Electric Mobility Limited ('the Company') is engaged in design and manufacture of electrically powered vehicles and design and development of related technology for end use vehicles. The marketing of the vehicles is done through a network of dealers in India and abroad.

The Company is an unlisted public limited company domiciled in India and is incorporated under the provisions of the Indian Companies Act. The registered office of the Company is located at Mahindra Tower, Dr. G.M. Bhosale Marg, P.K. Kurne Chowk, Worli, Mumbai – 400018, Maharashtra.

The Company's Holding Company is Mahindra Vehicle Manufacturers Limited ("the Holding Company) and the Ultimate Holding Company is Mahindra & Mahindra Limited ("the Ultimate Holding Company").

2.1. Statement of compliance

These IND AS financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013 ('the Act') and other relevant provisions of the Act.

In the Board of Directors meeting held on 06 May 2020, the Board has approved to issue these IND AS financial statements to shareholders of the Company.

2.2. Basis of preparation

a) Basis of measurement

The IND AS financial statements have been prepared on the historical cost convention and on an accrual basis except for the following items:

Items	Measurement basis
Certain financial assets	Fair value/Amortized cost
Liabilities for equity-settled share-based payments	Fair value
Net defined benefit liability	Present value of defined benefit obligations

b) Functional and presentation currency

These IND AS financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

c) Going concern

The Company has been incurring losses and has accumulated losses of Rs. 79,518 lakhs as at 31 March 2020. Furthermore, the Company's current liabilities exceeded its current assets by Rs. 3,331 lakhs as at that date. The Company's plant and office were shut down on 24 March 2020 due to the outbreak COVID-19 Pandemic. However, owing to the continued support for the past several years from the Holding Company and based on future business plans, the Company is confident of funding its operating and capital expenditure and continue business operations in the foreseeable future. Hence, these IND AS financial statements have been prepared on a going concern basis. Also refer note 41.

d) Use of estimates and judgements

In preparing these IND AS financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions, estimation uncertainties and judgements that have a significant risk of resulting in a material adjustment in the year ended 31 March 2020 are included in the following notes:

Particular	Assumptions, estimation uncertainties and judgements
Note 2.3 (c)	- Intangible assets: whether the Company recognises the expenditure incurred on technology development as an intangible asset or as an operating expense.
Note 2.3 (b) and (c)	- Useful life of Property, plant and equipment and intangible assets.
Note 2.3 (d)	- Impairment of financial assets and non-financial assets: key assumptions over expected credit losses associated with its assets carried at amortised cost. Assumption on discount rate.
Note 2.3 (d)	- Impairment of non-financial assets: key assumptions underlying recoverable value.
Note 2.3 (e)	- Measurement of transaction price for the contract and to ascribe the transaction price to each distinct performance obligation. Determining whether the performance obligation is satisfied at a point in time or over a period of time. Judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
Note 2.3 (g)	- Measurement of defined benefit obligations: key actuarial assumptions.
Note 2.3 (h)	- Assessment of lease term and the applicable discount rate.
Note 2.3 (i)	- Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used.
Note 2.3 (k)	- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

e) Measurement of fair values

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. The Company has an established control framework with respect to the measurement of fair values. Significant valuation issues, if any, are reported to the Company's Management.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

– Note 2.3 (g) - Share-based payment transactions

– Note 2.3 (p) - Financial instruments.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2.3 Significant accounting policies

a) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

b) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement, if the recognition criteria, are satisfied.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from its previously assessed standard of performance. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Borrowing costs directly attributable to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent these relate to the period till such assets are ready to be put to use.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are classified as capital advances under other non-current assets. Costs of assets not ready for use at the balance sheet date are disclosed under capital work-in-progress.

An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the Property, plant and equipment is de-recognized.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated range of useful lives of the assets as follows:

Class of assets	Management estimate of useful life in years	Useful life as per Schedule II
Factory Buildings	30	30
Plant & Machinery*	5 to 15	10 to 15
Tools & Fixtures*	8	NA
Office equipment*	3 to 5	5
Computer equipment	3 to 6	3 to 6
Furniture & Fixtures	10	10
Vehicles*	5	8
Batteries*	3 to 5	NA

Leasehold improvements are amortized over the lease term or useful lives of assets, whichever is lower.

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

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

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost and carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate:

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

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

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

The Management estimates the useful lives for its intangible assets as follows:

Class of assets	Useful life estimated (in years)
Product development	5
Computer software	4

Derecognition

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

d) Impairment

i. Impairment of financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off.

ii. Impairment of non-financial assets

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in statement of profit and loss.

In respect of assets for which impairment loss has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e) Revenue recognition

The Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A 5-step approach is used to recognise revenue as below:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Sale of goods

Revenue from the sale of goods is recognised upon transfer of control of promised goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The Company provides normal warranty provisions for general repairs on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold.

Rendering of services

Arrangements with customers for development of technology and engineering services are on a fixed-price and fixed-time frame basis. Revenue from these contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognised as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity.

Maintenance revenue is recognized rateably over the term of the underlying maintenance arrangement.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Revenue in excess of invoicing are classified as contract assets (referred as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (referred as deferred revenues).

Deferred contract costs are incremental costs of obtaining a contract which are recognized as assets and amortized over the term of the contract.

Contract modifications are accounted for when additions, deletions or changes are approved either to the contract scope or contract price. The accounting for modifications of contracts involves whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract, if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

Interest income

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability.

When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses. Interest income is included in other income in the statement of profit and loss.

f) Foreign currency transactions

Transactions in foreign currency are translated to the functional currency at the exchange rates at the dates of the transaction or an average rate, if the average rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using exchange rate prevalent at the each Balance Sheet date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated in to the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in statement of profit and loss for the period in which the transaction is settled.

g) Employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset.

The Company operates a defined benefit gratuity plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined on the basis of on actuarial valuation at the year end, using the projected unit credit method.

Long-term compensated absences are provided for based on the actuarial valuation carried out at year-end using the projected unit credit method.

Gains and losses through re-measurements of the net defined benefit liability/ (asset) are recognized in other comprehensive income and are not reclassified to profit or loss in a subsequent period. Further, as required under Ind AS compliant Schedule III, the Company transfers those amounts recognised in other comprehensive income to retained earnings.

Share based payment transactions

The grant date fair value of equity settled share-based payment awards granted to employees is recognised as an employee benefit expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as expense is based on the estimate of the number of awards for which the related service are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

h) Leases

Effective 1 April 2019, the Company has applied Ind AS 116, which replaces the existing lease standard, Ind AS 17 Leases and other interpretations. The Company has applied Ind AS 116 using the modified retrospective approach and has accordingly not restated the comparative information. The Company at the inception of a contract, assesses whether a contract, is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Ind AS 116 introduces a single balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company has elected not to recognise right-of-use of assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Lessor accounting remains similar to the accounting under the previous standard i.e. lessor continues to classify leases as finance or operating lease. This policy is applied to contracts entered into, or changed, on or after 1 April 2019. For contracts entered into before 1 April 2019, the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

the Company is reasonably certain to exercise that option and payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

In the comparative period, leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases, where the Company is a lessor, is recognised as income on a straight-line basis over the lease term.

i) Income taxes

Income tax comprises current and deferred tax. It is recognised in statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the statement of profit and loss. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

j) Earnings/ (loss) per share

The basic earnings/(loss) per share ('EPS') is computed by dividing the net profit/(loss) after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date. In computing dilutive earning per share, only potential equity shares that are dilutive i.e. which reduces earnings per share or increases loss per share are included.

k) Provision and contingent liabilities

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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

Warranty provision

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer.

Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 IND AS financial statements.

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost is used. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. The comparison of cost and net realizable value is made on an item-by-item basis.

Inventories are stated net of write down or allowances on account of obsolescence, damage or slow moving items.

The method of determination of cost is as follows:

- Raw materials and components – on a weighted average basis
- Stores and spares – on a weighted average basis
- Work-in-progress – raw material costs and costs of conversion
- Finished goods – raw material costs and costs of conversion
- Goods in transit – at purchase cost

The provision for inventory obsolescence is assessed periodically and is provided as considered necessary.

m) Statement of cash flows

Cash flows are reported using the indirect method, whereby net profit/(loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

n) Government grants

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

o) Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

p) Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at either at amortised cost, FVTPL or fair value in other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at investment level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for each of such investments and the operation of those policies in practice;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

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

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in statement of profit and loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.4 Recent Indian Accounting Standards (Ind AS)

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.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

4. Property, plant and equipment

(Rs. in lakhs)

Particulars	Freehold Land	Factory Buildings	Leasehold Improvements	Plant & Machinery	Tools & Fixtures	Office Equipment	Computer Equipment	Furniture and Fixtures	Vehicles	Batteries	Total
At Cost (Gross Carrying Amount)											
As at 01 April 2018	836	2,646	13	3,006	6,898	141	600	135	1,061	1,986	17,322
Additions during the year	–	1,233	–	2,182	1,940	70	231	9	53	–	5,718
Disposals during the year	–	–	(1)	(1)	–	–	(51)	–	(869)	(245)	(1,167)
As at 31 March 2019	**836**	**3,879**	**12**	**5,187**	**8,838**	**211**	**780**	**144**	**245**	**1,741**	**21,873**
As at 01 April 2019	**836**	**3,879**	**12**	**5,187**	**8,838**	**211**	**780**	**144**	**245**	**1,741**	**21,873**
Additions during the year	–	**131**	–	**2,121**	–	**15**	**103**	**23**	**119**	–	**2,512**
Disposals during the year	–	–	–	**(30)**	**(12)**	–	–	–	**(28)**	**(300)**	**(370)**
As at 31 March 2020	**836**	**4,010**	**12**	**7,278**	**8,826**	**226**	**883**	**167**	**336**	**1,441**	**24,015**
Accumulated Depreciation											
As at 01 April 2018	–	360	7	823	2,961	84	411	79	578	792	6,095
Depreciation expense for the year	–	101	1	311	1,109	22	123	10	140	247	2,064
On disposals	–	–	(1)	(1)	–	–	(49)	–	(584)	(195)	(830)
At 31 March 2019	–	**461**	**7**	**1,133**	**4,070**	**106**	**485**	**89**	**134**	**844**	**7,329**
As at 01 April 2019	–	**461**	**7**	**1,133**	**4,070**	**106**	**485**	**89**	**134**	**844**	**7,329**
Depreciation expense for the year	–	**138**	**1**	**513**	**1,625**	**29**	**142**	**10**	**74**	**196**	**2,728**
On disposals	–	–	–	**(18)**	**(5)**	–	–	–	**(25)**	**(222)**	**(270)**
As at 31 March 2020	–	**599**	**8**	**1,628**	**5,690**	**135**	**627**	**99**	**183**	**818**	**9,787**
Net Carrying Amount											
At 31 March 2019	**836**	**3,418**	**5**	**4,054**	**4,768**	**105**	**295**	**55**	**111**	**897**	**14,544**
At 31 March 2020	**836**	**3,411**	**4**	**5,650**	**3,136**	**91**	**256**	**68**	**153**	**623**	**14,228**

Capital work-in-progress as on 31 March 2019	1,074
Capital work-in-progress as on 31 March 2020	**5,212**

Notes:

a. Vehicles as on 31 March 2020 includes self generated assets at cost aggregating to Rs. 264 lakhs (31 March 2019 - Rs. 181 lakhs).

b. Gross carrying amount of tools and fixtures as on 31 March 2020 includes tools aggregating to Rs. 8,165 lakhs (31 March 2019 - Rs. 7,875 lakhs) lying with third party vendors.

c. Batteries are given to customers on Operating Lease Arrangement.

d. Refer note 16.01 for details of assets placed as security against borrowings.

e. Refer note 40 for Management's assessment of impairment on Property, plant and equipment.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

5. Right of Use Assets

(Rs. in lakhs)

Particulars	Leasehold Land
Gross carrying value as at 01 April 2019	–
Reclassified on account of adoption of Ind AS 116	3,684
Addition	–
Disposals during the year	–
As at 31 March 2020	**3,684**
Accumulated depreciation	
As at 01 April 2019	**–**
Reclassified on account of adoption of Ind AS 116	–
Depreciation for the year	38
On disposals	–
As at 31 March 2020	**38**
Net Carrying amount	
As at 31 March 2020	**3,646**

5.01 During the year, the Company has adopted Ind AS-116 “Leases” notified by the Ministry of Corporate Affairs effective from 1st April, 2019. Please refer Note 2.3(h) for the transitional impact on adoption of Ind AS 116.

6. Other Intangible Assets

(Rs. in lakhs)

Particulars	Product Development	Computer Software	Total
Cost (Gross carrying amount)			
As at 01 April 2018	19,127	953	20,080
Additions during the year	2,492	740	3,232
Written off during the year	–	(100)	(100)
At 31 March 2019	**21,619**	**1,593**	**23,212**
As at 01 April 2019	**21,619**	**1,593**	**23,212**
Additions during the year	–	622	622
Written off during the year	–	–	–
At 31 March 2020	**21,619**	**2,215**	**23,834**
Accumulated amortisation			
As at 01 April 2018	**14,528**	**576**	**15,104**
Amortisation for the year	1,655	217	1,872
Written off during the year	–	(100)	(100)
At 31 March 2019	**16,183**	**693**	**16,876**
As at 01 April 2019	**16,183**	**693**	**16,876**
Amortisation for the year	1,949	347	2,296
Written off during the year	–	–	–
At 31 March 2020	**18,132**	**1,040**	**19,172**
Net Carrying amount			
At 31 March 2019	5,436	900	6,336
At 31 March 2020	**3,487**	**1,175**	**4,662**

6.01 Refer note 40 for Management’s assessment of impairment on Intangible assets.

7. Intangible Assets under Development

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Opening balance	**2,384**	995
Development cost incurred during the year	**9,675**	4,636
Less: Capitalised during the year	**(622)**	(3,232)
Less: Other adjusments	**–**	(15)
Closing balance	**11,436**	2,384

8. Loans

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Non-current		
Security Deposits		
Unsecured, considered good	**310**	289
Unsecured, considered doubtful	**8**	8
	318	298
Less: Allowance for expected credit losses	**(8)**	(8)
Total	**310**	289

9. Non-current tax assets

(₹ in lakhs)

Particulars	31 March 2020	31 March 2019
Tax deducted at source	**1,145**	738
Total	**1,145**	738

10. Other Assets

(Rs. in lakhs)

(a) Non-current		31 March 2020	31 March 2019
Capital advances	**(A)**	1,218	231
Advances other than capital advances			
Unsecured, considered good			
– Rent paid in advance		–	3,642
	(B)	–	3,642
Unsecured, considered doubtful			
– Advances recoverable in cash or kind		**182**	169
– Balances with government authorities		**30**	529
	(C)	**212**	698
Less: Allowance for expected credit losses	**(D)**	**(212)**	(698)
Total	**(A) + (B) + (C) - (D)**	**1,218**	3,873

(b) Current

(Rs. in lakhs)

	31 March 2020	31 March 2019
Unsecured, considered good		
Balances with government authorities (Refer note 10.01)	**6,070**	4,363
Unbilled revenue	**512**	2,461
Advances recoverable in cash or kind	**435**	405
Prepaid expenses	**55**	36
Rent paid in advance	–	54
Total	**7,072**	7,319

10.01 Includes Rs. 165 lakhs (31 March 2019: Rs. 165 lakhs) paid under protest against disputed demands pertaining to Income Tax and Rs. Nil (31 March 2019: Rs. 250 lakhs) paid under protest against disputed demands pertaining to Excise Duty.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Inventories

(at lower of cost and net realisable value)

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Raw materials (includes raw materials in transit Rs. 523 lakhs (31 March 2019: Rs. 61 lakhs) - net of provision of Rs. 398 lakhs (31 March 2019: Rs. 544 lakhs)	**2,565**	3,603
Finished goods -net of provision of Rs. 3 lakhs (31 March 2019: Rs. 15 lakhs)	**342**	590
Stores and Spares - net of provision of Rs. 58 lakhs (31 March 2019: Rs. 30 lakhs)	**462**	323
	3,369	4,516

11.01 Out of the above, inventories lying with third parties as at 31 March 2020 is Rs. 94 lakhs (31 March 2019: Rs. 219 lakhs)

11.02 The Company has availed working capital facilities and other non-fund based facilities viz. letters of credit, which are secured by hypothecation of inventories. Refer note 16.01.

11.03 Mode of valuation of inventories is stated in Note 2.3(l).

12. Trade Receivables

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Unsecured, considered good	**4,497**	2,056
Unsecured, considered doubtful	**332**	290
	4,829	2,346
Less: Allowance for Expected Credit Losses	**(332)**	(290)
Total	**4,497**	2,056
Of the above, trade receivables from:		
– Related parties (Refer Note 37)	**3,975**	1,351
– Others	**854**	995
Total	**4,829**	2,346

12.01 No trade or other receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

12.02 The Company has availed working capital facilities and other non-fund based facilities viz. letters of credit, which are secured by hypothecation of Trade receivables.

13. Cash and Cash Equivalents

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Cash on hand	–	–
Balances with banks:		
Current accounts	**62**	3
Total	**62**	3

For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents comprise the following :

(Rs. in lakhs)

	31 March 2020	31 March 2019
Cash and Cash Equivalents	**62**	3
Book Overdraft	**(32)**	–
Total	**30**	3

14. Assets Held for Sale

(Rs. in lakhs)

	31 March 2020	31 March 2019
Assets held for sale	**213**	214
Less: Provision against Assets held for Sale	**(66)**	(66)
Total	**147**	148

15. Equity Share Capital

(Rs. in lakhs except per share data)

Particulars	31 March 2020	31 March 2019
Authorised		
40,00,00,000 (31 March 2019 : 40,00,00,000) equity shares of Rs. 10 each	**40,000**	40,000
Issued, subscribed and fully paid-up		
32,31,90,310 (31 March 2019 : 30,73,51,775) equity shares of Rs. 10 each	**32,319**	30,735

a. Reconciliation of shares outstanding at the beginning and at the end of reporting year

(Rs. in lakhs except per share data)

	31 March 2020		31 March 2019	
Particulars	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	307,351,775	30,735	269,796,679	26,980
Issued during the year *#	15,838,535	1,584	37,555,096	3,755
At the end of the year	**323,190,310**	**32,319**	**307,351,775**	**30,735**

**** Rights Issue and Preferential Issue***

During the year, the Company allotted 1,57,40,445 (31 March 2019: 2,80,24,128) fully paid equity shares of face value of Rs.10 each for cash at a price of Rs. 25.48 (31 March 2019: Rs. 24.90) per fully paid equity share including a premium of Rs. 15.48 (31 March 2019: Rs. 14.90) per fully paid equity share aggregating to Rs. 4,011 lakhs (31 March 2019: Rs. 6,978 lakhs) pursuant to right issue and Nil (31 March 2019: 95,30,968) fully paid equity shares of face value of Rs.10 each for cash at a price of Rs. Nil (31 March 2019: Rs. 25.17) per fully paid equity share including a premium of Rs. Nil (31 March 2019: Rs. 15.17) per fully paid equity share aggregating to Rs. Nil (31 March 2019: Rs. 2,399 lakhs) pursuant to preferential issue. Equity shares were issued persuant to the right issue approved by the Board of Directors at their meetings on 24 July 2019 and 21 October 2019 (Right and Preferential issue 31 March 2019: 01 August 2018, 29 October 2018, 15 November 2018 and 21 January 2019).

During the year, the Company has allotted 98,090 (31 March 2019 : NIL) shares pursuant to the options exercised by the eligible employees under the Mahindra Electric Mobility Limited ESOP Scheme (‘MEML ESOP - 2017’). Also refer note 33.

b. Rights, preference and restrictions attached to:

Equity shares of Rs. 10 each

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company’s residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Share based payments

Terms attached to stock options granted to employees are described in Note 33 on ‘Employee Share Based Payment Plan’.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

c. Details of Equity Shares held by shareholders holding more than 5% of the aggregate shares in the Company's Issued, Subscribed and Paid-up share capital:

(Rs. in lakhs except per share data)

Name of the Shareholder	31 March 2020 Number	31 March 2020 Percentage	31 March 2019 Number	31 March 2019 Percentage
Mahindra Vehicle Manufacturers Limited (Holding Company)	**321,357,564**	**99.43%**	305,658,977	99.45%

d. Equity shares reserved for issue under options

(Rs. in lakhs except per share data)

Particulars	As at 31 March 2020 Number of equity	As at 31 March 2020 Amount	As at 31 March 2019 Number of equity	As at 31 March 2019 Amount
Under Employee Stock Option plan, equity shares of Rs. 10 each	**9,333,000**	**933**	9,168,000	917

e. No shares are held by the Ultimate Holding Company, their subsidiaries and associates.

f. There are no bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date.

16. Borrowings

(Rs. in lakhs)

	31 March 2020	31 March 2019
(a) Non-current		
Secured		
Term loan from bank	**10,000**	–
Unsecured		
Term loan from Council of Scientific and Industrial Research	**876**	1,051
Less: Amount of current maturities disclosed under other financial liabilities, current (Refer note 20)	**(175)**	(175)
Total	**10,701**	876
(b) Current		
Secured		
Working capital loan	**3,500**	1,570
Total	**3,500**	1,570

16.01 Details of Borrowings:

Description of the instrument	Currency of Loan	Interest Rate p.a.	Repayment Bullet (or) Instalment	Number of Instalments	Security	Period of repayment
Secured						
Term loan from bank	INR	1 Month MCLR + 5BPS	Instalment	8 equal quarterly instalments of Rs. 1,250 lakhs each	Exclusive charge on all existing and future fixed assets of the Company.	February 2023 to February 2025
Unsecured						
Term loans from other parties:						
Council of Scientific and Industrial Research	INR	3%	Instalment	5 equal annual instalments of Rs. 175 lakhs each	–	October 2015 to October 2024
Secured						
Working capital demand loan	INR	8.35% - 9.1%	Repayment Bullet	–	First and exclusive hypothecation charge on all existing & future receivables/ current assets of the Company.	On Demand

16.02 Reconciliation of movement in borrowings to cash flows from financing activities

Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Opening Balance		
Non Current Borrowing	**876**	1,051
Current maturities of Long term debt	**175**	175
Working Capital Loan	**1,570**	–
	2,621	1,226
Cash flow movement		
Proceeds from non-current borrowings	**10,000**	–
Repayment of non-current borrowings	**(175)**	(175)
Proceeds from Working capital loan (Net)	**1,930**	1,570
	11,755	1,395
Closing Balance		
Non Current Borrowing	**10,701**	876
Current maturities of Long term debt	**175**	175
Working Capital Loan	**3,500**	1,570
	14,376	2,621

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16.03 The financial covenants applicable to term loan from bank are as follows:

Covenants	**Parameter**
Fixed Assets Cover ratio	Not below 1.25 times
TTL/Equity*	Not below 1.1 times
Mahindra Group shareholding	Not below 51%

* TTL means sum of all senior debt, junior debt, lease obligation and unsecured debt other than promoters' unsecured loan (to the extent of undertaking for non-interest bearing, non-repayable during tenor of bank loan.

The Company has complied with the above financial covenants.

17. Provisions

(Rs. in lakhs)

Particulars	**31 March 2020**	31 March 2019
(a) Non Current		
Provision for employee benefits (Refer Note 32)		
Compensated absences	**350**	321
Gratuity benefits	**130**	64
Other Provisions		
Warranty & service coupon	**303**	119
Provision for disputes and contingencies	**221**	453
Total	**1,004**	957
(b) Current		
Provision for employee benefits (Refer Note 32)		
Compensated absences	**92**	83
Gratuity benefits	**146**	125
Other Provisions		
Warranty & Service Coupon	**294**	248
Discount	**18**	239
Total	**550**	695

Warranties

A provision is recognised for expected warranty claims on products sold during the last three years, based on past experience of the level of repairs and claims. It is expected that these costs will be incurred within three years after the reporting date. Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about claims based on the three-year warranty period for all products sold.

17.01 Details of movement in Provisions is as follows:

(Rs. in lakhs)

Particulars	Warranty and Service Coupon	Disputes and contingencies	Discount
Balance at 01 April 2018	266	319	363
Additional provisions recognised	579	134	157
Amounts used during the year	(479)	–	(281)
Unwinding of discount	1	–	–
Balance at 31 March 2019	**367**	**453**	**239**
Additional provisions recognised	**736**	**5**	**–**
Amounts used during the year	**(506)**	**(51)**	**(62)**
Unused amounts reversed during the year	–	(186)	(159)
Balance at 31 March 2020	**597**	**221**	**18**

18. Other Liabilities

(Rs. in lakhs)

Particulars	**31 March 2020**	31 March 2019
(a) Non Current		
Deferred government grant*	–	13
Total	–	13
(b) Current		
Advances received from customers	**966**	441
Deferred government grant*	**13**	13
Book overdraft	**32**	–
Deferred revenue	**917**	657
Statutory dues	**339**	377
Total	**2,267**	1,488

* The Company had received a non-recurring grant-in-aid of Rs. 69 lakhs in 2016-17 for a pilot project to install DC Fast Charging infrastructure. Amount of grant recognised as income for the year is Rs. 13 lakhs (31 March 2019: Rs. 13 lakhs).

19. Trade Payables

(Rs. in lakhs)

Particulars	**31 March 2020**	31 March 2019
Total outstanding dues of micro and small enterprises (Refer Note 39)	**188**	464
Total outstanding dues of creditors other than micro and small enterprises	**6,119**	5,728
Total	**6,307**	6,192

20. Other Financial Liabilities

(Rs. in lakhs)

Particulars	**31 March 2020**	31 March 2019
Current Maturities of Long-term Debt (Refer Note 16)	**175**	175
Interest accrued	**95**	44
Accrued salary and benefits	**1,181**	**907**
Creditors for capital goods	**4,402**	**2,321**
Total	**5,853**	3,447

21. Revenue from Operations

(Rs. in lakhs)

Particulars		**31 March 2020**	31 March 2019
Sale of products			
Revenue from sale of products		**18,640**	14,801
	(A)	**18,640**	14,801
Sale/Rendering of Services			
Product development and design fee		**8,252**	9,604
Income from leasing		**263**	417
After sales service		**76**	51
	(B)	**8,591**	10,072
Other Operating Revenue			
Scrap sale		**30**	32
Royalty		–	1
	(C)	**30**	33
Total	**(A) + (B) + (C)**	**27,261**	24,906

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21.01 The following customer had transactions for more than 10% of the revenue.

(Rs. in lakhs)

Name of the Customer	Business segment	31 March 2020	31 March 2019
Mahindra & Mahindra Ltd.	Sale of Product and Product development and design fee	**11,116**	16,425

21.02 Revenue disaggregation by geography is as follows:

(Rs. in lakhs)

Geography	31 March 2020	31 March 2019
India	**24,191**	22,191
South Korea	**1,874**	1,277
Nepal	**904**	906
Others	**29**	115
Total	**26,998**	24,489

Geographical revenue is allocated based on the location of the customers.

Note: The amount of Rs. 263 lakhs (31 March 2019: Rs. 417 lakhs) pertaining to lease income has not been considered in the above revenue disclosure.

21.03 Revenue to be recognised for performance obligation(s) not satisfied or partially satisfied at the end of the current year in respect of contracts with customer that are in place (i.e. signed agreements/Pos/ WOs, etc) at the end of 31 March 2020:

(Rs. in lakhs)

Time Band	31 March 2020	31 March 2019
< 1year	**8,374**	8,471
>1 year but < 5 year	**6,366**	8,284
Total	**14,740**	16,755

21.04 Changes in unbilled revenue or contract assets are as follows:

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Opening balance of unbilled revenue or contract assets	**2,461**	1,169
Additions during the year	**6,866**	6,268
Reclassification adjustments:		
- Billing from opening balance of contract assets to trade receivables	**(2,461)**	(1,169)
- Billing from contract assets transferred to trade receivables	**(6,354)**	(3,807)
Closing balance of unbilled revenue or contract assets	**512**	2,461

21.05 Changes in Deferred Revenue or Contract Liabilities are as follows:

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Opening balance of deferred revenue or contract liabilities	**1,098**	2,476
Additions during the year	**2,452**	1,406
Reclassification Adjustments:		
- Adjustment from opening balances of contract liabilities to revenue	**(866)**	(2,353)
- Transfer from contract liabilities to revenue	**(801)**	(431)
Closing balance of Deferred Revenue or Contract Liabilities	**1,883**	1,098

* Deferred Revenue or Contract Liabilities includes Advances received from customers.

21.06 Reconciliation of Revenue from Contracts with Customers

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Revenue from contracts with customers as per the contract price	**29,268**	23,330
Adjustments made to contract price on account of :-		
a) Discounts/Rebates/Incentives	–	(157)
b) Sales Returns/Reversals	**(1,485)**	(63)
c) Deferment of revenue	**(1,651)**	(975)
e) Recognition of revenue out of opening balance of contract liability	**866**	2,353
Revenue from Contracts with Customers	**26,998**	24,488

22. Other Income

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Interest Income on Financial Assets Carried at Amortized Cost		
Bank deposits	–	16
Security deposits	**18**	21
Other non-operating income		
Net gain on Sale of Investments	–	5
Profit on assets sold/discarded (Net)	**6**	14
Net Foreign Exchange gain	–	153
Income from Government Grant	**13**	13
Liabilities no longer required written back	**581**	–
Miscellaneous income	**11**	2
Total	**629**	224

23. Cost of Materials Consumed

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Inventories at the beginning of the year (Refer Note 11)	**3,925**	3,177
Add: Purchases made during the year	**13,810**	13,134
	17,735	16,312
Less: Issued for Product Development & Captive Consumption	**(1,132)**	(538)
Less: Inventories at the end of the year (Refer Note 11)	**(3,027)**	(3,925)
Cost of materials consumed	**13,576**	11,848

24. Changes in Inventories of Finished Goods

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Inventories at the end of the year:		
Finished goods (Refer Note 11)	**342**	590
	342	590

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(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Inventories at the beginning of the year:		
Finished goods (Refer Note 11)	**590**	460
	590	460
(Increase)/Decrease in Inventories	**248**	(130)

25. Employee benefits expense

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Salaries and Wages, including bonus	**5,187**	5,138
Contribution to provident and other funds	**550**	491
Share based payments (Refer Note 33)	**250**	476
Staff welfare expenses	**276**	305
Total	**6,263**	6,409

26. Finance cost

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Interest expenses on		
Financial Liabilities measured at amortised cost	**400**	75
Unwinding of discount	–	1
Defined benefit obligation (Refer Note 32)	**11**	3
Others	**22**	17
Total	**433**	96

27. Depreciation and Amortisation Expense

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Depreciation of Property, Plant and Equipment (Refer Note 4)	**2,728**	2,064
Depreciation of Right of Use Assets (Refer Note 5)	**38**	–
Amortisation of Intangible Assets (Refer Note 6)	**2,296**	1,872
Total	**5,062**	3,936

28. Other expenses

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Power and Fuel	**111**	124
Rent	**268**	328
Rates and Taxes	**20**	17
Insurance	**22**	37
Repairs and Maintenance		
– Buildings	**43**	31
– Machinery	**423**	336
– Others	**148**	163
Advertisement	**493**	363
Net Foreign Exchange Loss	**50**	–
Freight Outward	**679**	177
Sales Promotion expenses	**461**	79
Travelling and Conveyance Expenses	**399**	469
Allowances for expected credit losses	**56**	**107**
Auditors remuneration and out-of-pocket expenses		
– As auditors	**17**	16
– For other services	**3**	2
– For reimbursement of expenses	**1**	1
Legal and Professional Expenses	**2,162**	3,478
Materials used in Customer Projects	**612**	304
Communication Costs	**19**	24
Sub-contracting Expenses	**425**	420
Security Charges	**99**	111
Recruitment Expenses	**187**	133
Research Costs	**98**	432
Assets written-off and provision for assets held for sale	–	129
Warranties and Service Coupons	**736**	579
Loss on Assets Sold/Discarded (Net)	**18**	–
Bank Charges	**32**	14
Other Miscellaneous Expenses	**249**	395
Total	**7,831**	8,269

29. Financial instruments

The carrying value and fair value of financial instruments by categories are as follows:

(Rs. in lakhs)

Particulars	Note	31 March 2020 Carrying Value	31 March 2019 Carrying Value
Financial Assets			
Measured at Amortised Cost			
Loans	8	**310**	289
Trade Receivables	12	**4,497**	2,056
Cash and Cash Equivalents	13	**62**	3
Total Financial Assets		**4,869**	2,348
Financial liabilities			
Measured at amortised cost			
Borrowings	16	**14,201**	2,446
Trade Payables	19	**6,307**	6,192
Other Financial Liabilities	20	**5,853**	3,447
Total Financial Liabilities		**26,361**	12,085

29.01 Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

The Company has not separately disclosed the fair values for financial assets and liabilities because their carrying amounts are a reasonable approximation of the fair value.

29.02 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Company's management oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The management is

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board.

29.03 Financial Risk Management Objective And Policies

The Company's principal financial liabilities comprise borrowings, trade payables and other liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include loans, trade receivables and cash.

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

29.04 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk arises principally from the Company's trade receivables. Credit risk arises from cash held with banks and financial institutions as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

The Company's trade and other receivables are actively monitored to review credit worthiness of the customers to whom credit terms are granted and also avoid significant concentrations of credit risks.

Given below is ageing of gross trade receivable spread by period of six months:

(Rs. in lakhs)

Particulars	**31 March 2020**	31 March 2019
Outstanding for more than 6 months	**290**	496
Others	**4,539**	1,850
Total:	**4,829**	2,346

The Company continuously monitors receivables from customers and other counterparties, identified either individually or by the Company, and incorporates this information into its credit risk controls.

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counter-parties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry section.

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

Information about major customers

Revenue from single external customer is approximately Rs. 11,116 lakhs (31 March 2019: Rs. 16,425 lakhs) representing 41% (31 March 2019: 66%) of Company's total revenue from operations for the year ended 31 March 2020. Receivables from single external customer is approximately Rs. 3,127 lakhs (31 March 2019: Rs. 1,337 lakhs) representing 70% (31 March 2019: 57%) of Company's total receivables (after allowance for external credit loss) as at 31 March 2020. Apart from the aforesaid single customer, the Company does not have a significant credit risk exposure to any other single counterparty.

29.05 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has an appropriate liquidity risk management framework for the management of short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As of 31 March 2020, the Company has a working capital of Rs. 3,331 lakhs (Negative) (31 March 2019: Rs. 650 lakhs), including Book Overdraft of Rs. 32 lakhs (31 March 2019: Rs. Nil) and cash and cash equivalents of Rs. 62 lakhs (31 March 2019: Rs. 3 lakhs).

The table below provides details regarding the contractual maturities of significant financial liabilities as at 31 March 2020 and 31 March 2019.

(Rs. in lakhs)

Particulars	**1 year or less**	**1 year to 5 years**	**5 years or more**	**Adjustments**	**Total**
As on 31 March 2020					
Borrowings(including interest)	4,549	12,946	–	–	17,495
Trade Payables	6,307	–	–	–	6,307
Other Financial Liabilities	5,678	–	–	–	5,678
Total	**16,534**	**12,946**	**–**	**–**	**29,480**

Particulars	1 year or less	1 year to 5 years	5 years or more	Adjustments	Total
As on 31 March 2019					
Borrowings(including interest)	1,761	950	5	(95)	2,621
Trade Payables	6,192	–	–	–	6,192
Other Financial Liabilities	3,272	–	–	–	3,272
Total	**11,225**	**950**	**5**	**(95)**	**12,085**

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29.06 Market risk

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

– **Currency risk**

Foreign Currency Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in Foreign Currency Exchange rates. The Company's exposure to currency risk relates primarily to the Company's operating activities including anticipated sales, purchases and borrowings where the transactions are denominated in a currency other than the Company's functional currency.

Unhedged Foreign Currency Exposure as on 31 March 2020

Particulars	Receivable		Payable	
	Foreign Currency	Local Currency (Rs. in Lakhs)	Foreign Currency	Local Currency (Rs. in Lakhs)
USD	**1,436,829**	**1,083**	**3,629,949**	**2,736**
EURO	**27,767**	**23**	**158,591**	**132**
GBP	**20,026**	**19**	**1,445**	**1**
CAD	**–**	**–**	**78,200**	**41**
Total	**1,484,622**	**1,125**	**3,868,185**	**2,910**

Unhedged Foreign Currency Exposure as on 31 March 2019

Particulars	Receivable		Payable	
	Foreign Currency	Local Currency (Rs. in Lakhs)	Foreign Currency	Local Currency (Rs. in Lakhs)
USD	1,134,587	761	1,173,847	834
EURO	17,135	13	1,069,599	866
GBP	2,905	3	1,595	2
CAD	–	–	78,200	42
Total	1,154,627	777	2,323,241	1,744

Sensitivity Analysis of Unhedged Foreign Currency Exposure

(Rs. in lakhs)

Particulars	31 March 2020		31 March 2019	
	10% increase - Profit/ (Loss)	10% decrease - Profit/ (Loss)	10% increase - Profit/ (Loss)	10% decrease - Profit/ (Loss)
USD	**(165)**	**165**	(7)	7
EURO	**(11)**	**11**	(86)	86
GBP	**2**	**(2)**	0	(0)
CAD	**(4)**	**4**	(4)	4
Total	**(178)**	**178**	(97)	97

– **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is having non current borrowings in the form of Term Loan from bank. The Company is exposed to interest rate risk associated with its term loan due to floating rates of interest

Sensitivity Analysis of Interest Rate Risk Exposure

(Rs. in lakhs)

Particulars	31 March 2020		31 March 2019	
	100 basis points increase - Profit/(Loss)	100 basis points decrease - Profit/(Loss)	100 basis points increase - Profit/(Loss)	100 basis points decrease - Profit/(Loss)
Term Loan from Bank	**(100)**	**100**	–	–
Total	**(100)**	**100**	–	–

29.07 Capital Management

The objective of Company's capital management is:

- to ensure the Company's ability to continue as a going concern.
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions, requirements of the financial covenants and the risk characteristics of the underlying assets. The Company monitors capital on the basis of the carrying amount of equity including share application, securities premium and profit and loss account as presented on the face of the statement of financial position and on the basis of net debt to equity and maturity profile of overall debt portfolio of the Company.

Net debt and Equity is given in the table below

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Total Shareholders' Equity as reported in Balance Sheet	**26,822**	28,042
Non current borrowings (including current maturities)	**10,876**	1,051
Current borrowings	**3,500**	1,570
Less: Cash and cash equivalents	**(62)**	(3)
Net Debt	**14,314**	2,618
Total Capital Employed	**41,136**	30,660

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. No change were made in the objectives, policies or processes for managing capital during the year ended 31 March 2020.

30. Leases

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Details of leasing arrangements		
As Lessor		
Operating Lease		
The Company has leased out power pack batteries on operating lease for a period of upto 5 years and such assets are to be returned to the Company at the end of lease term.		
Future minimum lease receipts		
Within one year	**101**	285
After one year but not more than five years	**2**	115
More than five years	**–**	–
Total	**103**	400

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(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
As Lessee		
Short term lease		
Expense relating to short-term leases	**251**	311
	251	311

31. Earnings per share

(Rs. in lakhs except per share data)

Particulars	31 March 2020	31 March 2019
Basic and Diluted Earnings per Share		
Loss for the year	**(5,523)**	(5,298)
Weighted average number of equity shares outstanding (Nos.)	**320,558,707**	291,243,923
Basic and Diluted Earnings per Share of Rs.10 each	**(1.72)**	(1.82)

32. Employee benefits

(a) Defined contribution plan

The Company's contribution to Provident Fund aggregating to Rs. 394 lakhs (31 March 2019: Rs. 310 lakhs) has been recognised in the Statement of Profit and Loss under the head Employee Benefits Expense.

(b) Defined benefit plan:

Gratuity

The Company operates one defined benefit plan, viz., gratuity, for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets gratuity on departure at 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

Through the defined benefit plan the Company is exposed to the following risks:

Asset volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bonds discount rate, this will create or increase a deficit. The defined benefit plan holds a significant proportion of equity type assets, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

The Company has chosen a suitable plan with Insurance, which augurs well with the Company's long term strategy to manage the plan efficiently.

Changes in bond yields

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings.

Life expectancy

Increase in life expectancy will result in an increase in the plan's liabilities, as the inflationary increases result in higher sensitivity to changes in life expectancy.

Note: An entity shall disclose description of any plan amendments, curtailments and settlements.

The significant actuarial assumptions used for the purposes of the actuarial valuations were as follows:

Particulars	Actuarial Assumptions 31 March 2020	31 March 2019
Discount rate(s)	6.78%	7.61%
Expected rate(s) of salary increase	8.00%	9.50%
Average longevity	Indian Assured Lives Mortality (2012-14) ultimate	Indian Assured Lives Mortality (2006-08) ultimate

Defined benefit plan – as per actuarial valuation

(Rs. in lakhs)

Particulars	Funded Plan 31 March 2020	31 March 2019
Amounts recognised in comprehensive income in respect of the defined benefit plan are as follows:		
Service cost :		
Current service cost	**136**	109
Net interest expense	**42**	34
Expected return on assets	**(30)**	(32)
Components of defined benefit costs recognised in the Statement of Profit and Loss	**147**	111
Remeasurement on the net defined benefit liability:		
Actuarial (gains)/loss arising from changes in financial assumptions	**(22)**	71
Components of defined benefit costs/(credit) recognised in other comprehensive income	**(22)**	71
	125	182

(Rs. in lakhs)

		31 March 2020	31 March 2019
I.	**Net Asset/(Liability) recognised in the Balance Sheet as at 31 March 2020**		
	1. Present value of defined benefit obligation	**(775)**	(633)
	2. Fair value of plan assets	**499**	444
	3. Deficit	**(276)**	(189)
	4. Current portion	**146**	125
	5. Non-current portion	**130**	64
II.	**Change in the obligation during the year ended 31 March 2020**		
	1. Present value of defined benefit obligation at the beginning of the year	**633**	478
	2. Expenses Recognised in Profit or Loss		
	– Current Service Cost	**136**	109
	– Interest Expense	**42**	34
	3. Recognised in Other Comprehensive Income	**–**	–
	Remeasurement loss		
	– Actuarial loss arising from:	**2**	67
	4. Benefit payments	**(38)**	(55)
Present value of defined benefit obligations at the end of the year		**775**	633
III.	**Change in fair value of assets during the year ended 31 March 2020**		
	1. Fair value of plan assets at the beginning of the year	**444**	417
	2. Expenses Recognised in Profit and Loss		
	– Expected return on plan assets	**31**	31
	3. Recognised in Other Comprehensive Income		
	Remeasurement gains/(losses)		
	– Actual Return on plan assets in excess of the expected return	**24**	(4)
	4. Contributions by employer (including benefit payments recoverable)	**38**	55
	5. Benefit payments	**(38)**	(55)
Fair Value of Plan Assets at the end of the year		**499**	444
IV.	**The Major categories of plan assets**		
	– Investment with insurer	**100%**	100%

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The Company's policy is driven by considerations of maximizing returns. The asset allocation for plan assets is determined by the insurance company based on investment criteria prescribed by the local regulators. The Company evaluates the risks, transaction costs and liquidity for potential investments. To measure plan asset performance, the Company compares actual returns for each asset category with published benchmarks.

V. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

(Rs. in lakhs)

Principal assumption	Year	Changes in assumption	Impact on defined benefit obligation: Increase in assumption	Impact on defined benefit obligation: Decrease in assumption
Discount rate	**2020**	**1.00%**	**(67)**	**78**
	2019	1.00%	(46)	52
Salary growth rate	**2020**	**1.00%**	**69**	**(64)**
	2019	1.00%	46	(43)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognised in the Balance sheet.

The method and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

VI. Maturity profile of defined benefit obligation:

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Within 1 year	**50**	48
1 - 2 years	**39**	45
2 - 3 years	**35**	45
3 - 4 years	**54**	35
4 - 5 years	**29**	52
5 - 10 years	**157**	143
Above 10 years	**411**	265
Total	**775**	633

VII. Experience adjustments :

(Rs. in lakhs)

	Gratuity 31 March 2020	Gratuity 31 March 2019
1. Defined benefit obligation	**775**	633
2. Fair value of plan assets	**499**	444
3. Deficit	**(276)**	(189)
4. Experience adjustment on Plan Liabilities Loss	**2**	67
5. Experience adjustment on Plan Assets Gain/(Loss)	**24**	(4)

The expected rate of return on plan assets is based on the average long term rate of return expected on investments of the fund during the estimated term of obligation. The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The Company expect to contribute Rs. 146 lakhs to gratuity fund in the next financial year.

33. Employee share based payment plan

a) Description of share-based payment arrangements

The Company has the following share-based payment arrangement for employees:

Mahindra Electric Mobility Limited ESOP Scheme ('MEML ESOP - 2017')

The MEML ESOP - 2017 plan was approved by the Board of Directors pursuant to resolution passed at its meeting held on 02 November 2017 read with special resolution passed by the shareholders at the Extraordinary General Meeting held on 10 November 2017. The plan entitles the employees with a right but not an obligation to purchase or subscribe at a future date the shares underlying the option at a pre-determined price, subject to compliance with vesting conditions; all exercised options shall be settled by physical delivery of equity shares or as provided under the MEML ESOP - 2017 plan. As per the plan, holders of vested options are entitled to purchase one equity share of Rs.10 each for every option at an exercise price of Rs. 24.90 each or Rs. 25.17 each as per ESOP offer letter.

The Company has computed the fair value of the options for the purpose of accounting for the employee stock compensation expense over the vesting period of the options.

The terms and conditions related to the grant of the share options are as follows:

(No. of options)

Employees entitled	Vesting conditions	For the year ended 31 March 2020	For the year ended 31 March 2019
Specified employees	One to four years of service from grant date	**9,333,000**	9,168,000
Total share options		**9,333,000**	9,168,000

For continuing employees, the options which vest would have to be exercised within a period of 5 years from the respective dates of vesting of options. No portion of the options vested can be exercised after a period of 5 years from the date of each vesting.

The number and reconciliation of the share options under the share option plan are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Outstanding at the beginning	**9,168,000**	8,041,107
Granted during the year	**1,417,940**	1,872,594
Forfeited and expired during the year	**(1,154,850)**	(745,701)
Settled during the year	**(98,090)**	–
Outstanding at the end	**9,333,000**	9,168,000
Exercisable at the end	**1,725,133**	–

c) The fair value per option is measured based on the Black-Scholes option pricing model, which is as below:

Measurement of fair value	Number of options	Range of fair value per option
From 1 April 2019 to 31 March 2020	9,333,000	Rs.10.40 - Rs.16.70
From 1 April 2018 to 31 March 2019	9,168,000	Rs.10.40 - Rs.16.70

The fair value per options mentioned above is calculated on the grant date using the Black-Scholes option pricing model with the following assumptions:

d) Assumptions

	For the year ended 31 March 2020	For the year ended 31 March 2019
Risk free interest rate	**6.0% - 7.99%**	6.6% - 7.99%
Dividend yield	–	–
Expected volatility	**42.3% - 53.1%**	42.3% - 53.1%
Expected life	**5 years**	5 years

e) During the year, the Company recorded a share based payment expense of Rs. 250 lakhs (31 March 2019 : Rs. 476 lakhs) in the Statement of Profit and Loss.

f) The weighted average contractual life of options granted is 7.5 years (31 March 2019: 7.5 years).

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34. Segment reporting

The Company currently operates in a single reportable segment i.e., design and manufacture of electrically powered vehicles and designing and development of related technology for end use vehicles. Consequently, the requirement for a separate disclosure under Ind AS 108 - "Operating Segments" is not applicable.

35. Contingent Liabilities and Commitments

Contingent Liabilities (Rs. in lakhs)

	Particulars	31 March 2020	31 March 2019
(a)	Central Excise/Service tax matters under dispute #	**304**	781
(b)	Bank Guarantees	**77**	137

(c) In February 2019, Hon'ble Supreme Court of India in its judgement clarified that certain special allowances should be considered to measure obligations under Employees Provident Fund Act, 1952. The Company had been legally advised that there are interpretative challenges on the application of judgement retrospectively and as such does not consider there is any probable obligations for past periods. Accordingly, based on legal advice the Company had made a provision for provident fund contribution from the date of Supreme Court order.

Commitments

(Rs. in lakhs)

	Particulars	31 March 2020	31 March 2019
(a)	Estimated amount of contracts remaining to be executed on capital account and not provided for	19,823	3,183
(b)	Commitment relating to short term leases (Refer Note 30)	–	–

The Company is contesting the demands and the management believes that its position will likely be upheld in the various appellate authorities/Courts and the ultimate outcome will not have a material adverse effect on the Company's financial position and results of its operations.

36. Unrecognised Deferred Tax Assets/(Liability) (Net)

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Deferred tax liability		
Property, Plant and Equipment	**1,856**	2,258
	1,856	2,258
Deferred Tax Assets		
On Carry Forward Business Losses, Unabsorbed Depreciation and unabsorbed capital R&D expenditure claimed u/s 35(1)(iv)	**24,765**	**20,417**
Provisions	**752**	**780**
	25,517	**21,197**
Deferred Tax Assets/(Liability) (Net) (Refer Note below)	**–**	**–**

Net deferred tax assets have been recognised only to the extent that the Company has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which such deferred tax assets can be realised.

36.01 Amount and Expiry date of Unused Tax Losses for which no Deferred Tax Assets is recognised :

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Upto Five years	37,356	27,432
More than Five years	**28,908**	32,506
No Expiry	**28,984**	18,591
	95,248	78,528

37. Related party disclosures

Names of related parties and related party relationship

Related parties where control exists

	Ultimate Holding Company	**Mahindra & Mahindra Limited ("M&M Ltd.")**
Related parties where control exists		
	Holding Company	Mahindra Vehicles Manufacturers Limited ("MVML")
Related parties with whom transactions have taken place during the year		
	Fellow subsidiaries	NBS International Limited ("NBS")
		Mahindra Automobile Distributor Pvt Ltd ("MADPL")
		Meru Mobility Tech Private Limited ("MMTPL")
		Ssang Yong Motor Company ("SYMC")
		Mahindra Retail Limited ("MRL")
		Lords Freight India Pvt Ltd ("LFIPL")
		Mahindra Logistics Limited ("MLL")
		Mahindra Integrated Business Solutions Private Limited ("MIBSPL")
		Mahindra Steel Services Centre Limited ("MSSCL")
	Associate companies of the Ultimate Holding Company	Tech Mahindra Limited ("TML")
		Mahindra CIE Automotive Limited ("MCAL")
	Key management personnel	Mr. Mahesh Babu (CEO from 01 December 2016)
		Mr. Saroj Khuntia (CFO from 01 October 2017)
		Mr. Narayana Swamy (Manager) *(Till 10th December,2019)*
		Mr. Jignesh Parikh (Company Secretary)

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

37. Related Party Transactions (contd..)

(Rs. in lakhs)

Particulars	Year	M&M Ltd.	MVML	NBS	MADPL	MMTPL	SYMC	KMPs	MCAL	TML	MRL	LFIPL	MLL	MIBSPL	MSSCL	Total
Transactions during the year																
Sale of Goods and Services	31 March 2020	5,841	671	53	–	1	379	–	–	–	–	–	–	–	–	6,945
	31 March 2019	7,943	277	224	(3)	–	155	–	–	–	–	–	–	–	–	8,596
Development Fee	31 March 2020	5,275	–	–	–	–	1,482	–	–	–	–	–	–	–	–	6,757
	31 March 2019	8,482	–	–	–	–	1,122	–	–	–	–	–	–	–	–	9,604
Purchase of Goods and Services	31 March 2020	1,335	20	–	–	–	–	–	509	–	2	19	469	43	20	2,417
	31 March 2019	249	–	0	–	–	–	–	403	3	–	37	207	29	10	938
Purchase of Property, Plant & Equipment	31 March 2020	7	–	–	–	–	–	–	3	–	–	–	–	–	–	10
	31 March 2019	–	–	–	–	–	–	–	596	–	7	–	–	–	–	602
Inter Corporate Deposit Taken	31 March 2020	3,000	1,500	–	–	–	–	–	–	–	–	–	–	–	–	4,500
	31 March 2019	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Inter Corporate Deposit Repaid	31 March 2020	3,000	1,500	–	–	–	–	–	–	–	–	–	–	–	–	4,500
	31 March 2019	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest Expenses	31 March 2020	71	10	–	–	–	–	–	–	–	–	–	–	–	–	81
	31 March 2019	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rent Expenses	31 March 2020	5	–	–	–	–	–	–	–	–	–	–	–	–	–	5
	31 March 2019	4	–	–	–	–	–	–	–	–	–	–	–	–	–	4
Reimbursement of expenses by the Company	31 March 2020	731	65	11	–	–	–	–	–	–	–	–	–	–	–	807
	31 March 2019	317	73	–	–	–	–	–	–	–	–	–	–	–	–	390
Cross charge of expenses to others	31 March 2020	2	–	–	–	–	–	–	–	–	–	–	–	–	–	2
	31 March 2019	1	–	21	–	–	–	–	–	–	–	–	–	–	–	21
Allotment of Equity Shares (including premium)	31 March 2020	–	4,000	–	–	–	–	–	–	–	–	–	–	–	–	4,000
	31 March 2019	–	8,978	–	–	–	–	–	–	–	–	–	–	–	–	8,978
Remuneration to key management personnel																
Narayan Swamy	31 March 2020	–	–	–	–	–	–	21	–	–	–	–	–	–	–	21
	31 March 2019	–	–	–	–	–	–	27	–	–	–	–	–	–	–	27
Saroj Khuntia	31 March 2020	–	–	–	–	–	–	64	–	–	–	–	–	–	–	64
	31 March 2019	–	–	–	–	–	–	59	–	–	–	–	–	–	–	59
Balances as at year end																
Deferred Revenue	31 March 2020	917	–	–	–	–	–	–	–	–	–	–	–	–	–	917
	31 March 2019	650	–	–	–	–	7	–	–	–	–	–	–	–	–	657
Unbilled revenue	31 March 2020	105	–	–	–	–	407	–	–	–	–	–	–	–	–	512
	31 March 2019	2,461	–	–	–	–	–	–	–	–	–	–	–	–	–	2,461
Amount Receivables	31 March 2020	3,127	77	–	–	–	771	–	–	–	–	–	–	–	–	3,975
	31 March 2019	1,337	0	–	–	–	14	–	–	–	–	–	–	–	–	1,351
Amount Payables	31 March 2020	608	27	–	–	0	–	–	138	–	1	4	87	5	4	874
	31 March 2019	290	17	–	0	–	–	–	410	–	–	2	38	–	10	767
Advance from customers	31 March 2020	–	–	17	–	–	–	–	–	–	–	–	–	–	–	17
	31 March 2019	111	–	11	–	–	–	–	–	–	–	–	–	–	–	122

Note:

i) The remuneration to the KMP does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Company as a whole.

ii) The remuneration to KMP includes short-term employee benefit of Rs. 81 lakhs and other long-term benefits of Rs.3 lakhs.

iii) Key managerial service cost charged on the Company by Mahindra & Mahindra Ltd is Rs. 167 lakhs (31 March 2019: Rs. 162 lakhs) (excluding tax).

Tems and conditions

All transactions with related parties are priced at arm's length basis and resulting outstanding balances are to be settled in cash within six months to one year of reporting date. None of the balances are secured.

NOTES TO THE IND AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

38. Research and Development Expenditure

(Rs. in lakhs)

Particulars	31 March 2020	31 March 2019
Debited to Statement of Profit or loss, including certain expenditure based on allocations made by the Company (excluding depreciation and amortization)	**674**	1,060
Development expenditure, computer software, patent and trademark expenditure	**9,675**	4,636
Capital expenditure/Non-recurring expenditure	**476**	4,222
Total	**10,825**	9,918
Break-up of Research and Development Expenditure		
Raw Material and Components	**508**	330
Salaries and Wages	**3,924**	2,465
Professional Charges	**5,234**	2,095
Rent	**112**	86
Travel expenses	**4**	6
Computer Software	**327**	310
Others	**240**	406
Capital expenditure	**476**	**4,222**
Total	**10,825**	9,918

39. Disclosures related to micro, small and medium enterprises

Total outstanding dues of micro, small and medium enterprises, which are outstanding for more than the stipulated period and other disclosures as per the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as "the MSMED Act") are given below:

(Rs. in lakhs)

		31 March 2020	31 March 2019
(a)	Dues remaining unpaid		
	– Principal	**164**	455
	– Interest on the above	**15**	8
(b)	Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year		
	– Principal paid beyond the appointed date	–	–
	– Interest paid in terms of Section 16 of the MSMED Act	–	–
(c)	Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	–	–
(d)	Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	**2**	2
(e)	Amount of interest accrued and remaining unpaid	**24**	9

40. Management's assessment on impairment of Property, plant and equipment and Intangible assets:

The Company tests whether Property, plant and equipment and Intangible assets have suffered any impairment on an annual basis as at 31 March every year. The recoverable amount of a cash generating unit ('CGU') is determined based on Value-In-Use calculations by forcasting the latest cash flows of next ten years and applying a growth rate beyond approved forecast period. The growth rates used in the value-In-use calculation reflect those inherent within the Company's budgets, which is primarily a function of the Company's cycle plan assumptions, past performance, and management expectations of future market developments through to 2030-31.The calculations use pre-tax cash flow projections based on financial budgets approved by the management. An average of the range of each assumption used is mentioned below.

Assumptions	31 March 2020	31 March 2019
Revenue growth for 10 years	**27%**	34%
Operating EBITDA to revenue % (Average)	**12%**	12%
Discount rate	**24%**	20%
Terminal growth rate	**5%**	5%

The above discount rate is based on the Weighted Average Cost of Capital (WACC) which represents the weighted average return attributable to all the assets of the CGU. These estimates are likely to differ from future actual results of the operations and cash flows. Based on the above assessment, there has been no impairment on these assets.

41. Impact of COVID-19

The COVID-19 pandemic is rapidly spreading throughout the world. The event significantly affects the economic activity worldwide and, as a result, could affect the operations and results of the Company. The impact of the COVID-19 pandemic may be different from that estimated as at the date of approval of these financial statements and the Company continues to closely monitor any material changes to future economic conditions.

The Company's plants and offices are under nationwide lockdown since 24 March 2020. The Company is monitoring the situation closely and will resume operations in a phased manner taking into account directives from the Government. Based on the ongoing discussions with vendors and service providers, the Management is confident of obtaining regular supply of raw materials and logistics services after restarting the plant.

Management has performed a comprehensive assessment of the implications of COVID-19 on the financial statements of the Company for the year ended 31 March 2020 including specifically on the going concern assumption, impairment testing for property, plant and equipment, estimate of expected credit losses and revenue recognized during the year, net realizable value of inventory, significant estimates (including the assumptions, data, method & disclosures), and have accordingly concluded that there are no adjustments required in these financial statements. Also refer note 2.2(c).

42. Long-term contracts

The Company does not have any long-term contracts including derivative contracts for which there are any material foreseeable losses.

As per our report of even date attached:

For B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership Number: 065155

Place: Bengaluru
Date: 11 May 2020

For and on behalf of the Board of Directors of:

Mahindra Electric Mobility Limited

Dr. Pawan Kumar Goenka	Chairman	DIN: 00254502
Arvind Mathew	Director	DIN: 01377003
Saroj Khuntia	Chief Financial Officer	
Mahesh Babu	Chief Executive Officer	
Jignesh Parikh	Company Secretary	

Date: 06 May 2020