

K.C. MALHOTRA & CO.
CHARTERED ACCOUNTANTS

R-79, GREATER KAILASH-I,
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ISGEC COVEMA LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Isgec Covema Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including other comprehensive income) for the year ended March 31, 2018, the Statement of cash flows and the Statement of changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with relevant rules issued thereunder.

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 the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion


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



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in Annexure 'A' a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, Statement of Profit and Loss, the statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act read with relevant rule issued thereunder.
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" and
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and protection Fund by the Company.

For K.C.Malhotra & Co.
Chartered Accountants
(Regn.No.000057N)


(Ramesh Malhotra)
Membership No.013624
Place: New Delhi
Date: 18.5.2018



K.C. MALHOTRA & CO.
CHARTERED ACCOUNTANTS

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Annexure 'A' to Auditors' Report

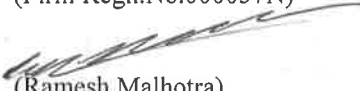
The annexure referred to in Independent Auditor's Report of even date to the members of Isgec Covema Limited on the standalone financial Statements as of and for the year ended 31st.March,2018

- i The Company does not have any tangible assets as at March 31, 2018 and, accordingly, the requirements under paragraph 4(i) of the Order are not applicable to the Company and hence not been commented upon.
- ii The Company's business does not involve inventories and accordingly the requirements paragraph 4(ii) of the Order are not applicable to the Company and hence not been commented upon.
- iii According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- v The Company has not accepted any deposits from the public.
- vi Maintenance of cost records has not been prescribed to the company by the Central Government under Section 148(1) of the Companies Act, 2013
- vii a)The company is regular in depositing with appropriate authorities undisputed statutory dues including, income-tax, and other material statutory dues applicable to it.The provisions relating to provident fund, employees' state insurance, wealth tax, duty of custom, cess and duty of excise are not applicable to the company.
b)According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, service tax, goods and service tax, cess and other material statutory dues were outstanding at the year end, for a period of more than six months from the date they became payable.The provisions relating to provident fund, wealth tax, duty of custom, cess, employee state insurance, duty of excise and value added tax are not applicable to the company.
c)According to the information and explanations given to us, there are no dues of income tax, sales tax ,service tax, goods and service tax,cess which have not been deposited on account of any dispute. The provisions relating to provident fund, wealth tax, duty of custom, cess, employee state insurance, duty of excise and value added tax are not applicable to the company.
- viii The Company did not have any outstanding dues from banks, financial institutions, debenture holders or government.
- ix Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer) and term loans hence, reporting under clause (ix) of the order is not applicable to the Company and hence not commented upon.
- x Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or on the Company by the officers and employees of the Company has been noticed or reported during the year.



- xi The provisions of section 197 read with Schedule V to the Companies Act, 2013 are not applicable to the Company. Therefore, the requirements under paragraph 3(xi) of the Order are not applicable to the Company and hence not commented upon.
- xii In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- xiii According to the information and explanations given by the management, there are no transactions with the related parties during the year under audit and accordingly reporting under clause 3(xiii) in so far as relates to section 188 of the Act is not applicable to the company and hence not commented upon. The provisions of section 177 are not applicable to the company and accordingly reporting under clause 3(xiii) in so far as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- xiv According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit and hence provisions of clause 3(xiv) are not applicable and not commented upon.
- xv Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For K.C.Malhotra & Co.
Chartered Accountants
(Firm Regn.No.000057N)


(Ramesh Malhotra)
Partner
Membership No:013624
Place:New Delhi
Date: 18.5.2018



Annexure B to the Auditor's Report

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

We have audited the internal financial controls over financial reporting of Isgec Covema Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended March 31, 2018.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of



financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For K.C.Malhotra & Co.
Chartered Accountants
(Firm Regn.No.000057N)


(Ramesh Malhotra)

Partner

Membership No: 013624

Place :New Delhi

Date: 18.5.2018



ISGEC COVEMA LIMITED
CIN: U52109DL1986PLC025908
BALANCE SHEET AS AT 31.03.2018

	Note	31.03.2018	31.03.2017
(IN INR)			
ASSETS			
Non - current assets			
(b) Financial assets			
(i) Investments			
(ii) Trade receivables	3	8,194,140	9,740,312
(iii) Loans			
(iv) Others	4	30,000	30,000
(c) Deferred tax assets (net)	5	2,304,883	2,052,545
(d) Other non - current assets	6	4,036,589	4,013,433
Total non-current assets		14,565,612	15,836,290
Current assets			
(a) Inventories			
(b) Financial assets			
(i) Investments			
(ii) Cash and cash equivalents	7	10,541,233	10,179,493
(iii) Others (to be specified)	8	125,259	233,996
(c) Current tax assets (net)	9	54,764	33,872
(d) Other current assets	10	28,847	24,107
Total current assets		10,750,103	10,471,468
Total assets		25,315,715	26,307,758
EQUITY AND LIABILITIES			
EQUITY			
(a) Equity share capital	11	20,000,000	20,000,000
(b) Other equity	12	4,677,767	5,621,835
Total equity		24,677,767	25,621,835
LIABILITIES			
Non - current liabilities			
(a) Financial liabilities			
(i) Borrowings			
(ii) Trade payables	13	167,150	167,150
(iii) Other financial liabilities			
(b) Provisions			
(c) Deferred tax liabilities (net)			
(d) Other non - current liabilities	14	442,104	442,104
Total non-current liabilities		609,254	609,254
Current liabilities			
(a) Financial liabilities			
(i) Borrowings			
(ii) Trade payables	13	28,694	73,653
(iii) Other financial liabilities			
(b) Other current liabilities	14	-	3,016
(c) Provisions			
(d) Current tax liabilities (net)			
Total current liabilities		28,694	76,669
Total equity and liabilities		25,315,715	26,307,758

The accompanying notes are an integral part of these financial statements

For K.C.Malhotra & Co.
Chartered Accountants
(Firm regn.No.000057N)

(Ramesh Malhotra)
Partner
M.No.013624
Place: New Delhi
Date: 19.5.2018



For and on behalf of the Board of Directors

(S.K. Khorana)
Director
DIN: 00085300

(V.K. Luthra)
Director
DIN: 02837289

ISGEC COVEMA LIMITED
CIN: U52109DL1986PLC025908
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2018

(IN INR)

Income	Note	31.03.2018	31.03.2017
Other Income	15	680,594	605,728
Total income)		680,594	605,728
Expenses			
Erection & Civil Cost	16	1,717,969	550,000
Finance costs	17	196,982	484
Other expenses	18	(37,951)	89,133
Total expenses		1,877,000	639,617
Profit / (loss) before tax		(1,196,406)	(33,889)
Tax expense	19		
(1) Current tax			18,309
(2) Deferred tax		(252,338)	(10,472)
Profit / (loss) for the year		(944,068)	(41,726)
Other comprehensive income			
Total comprehensive income/(Loss) for the year		(944,068)	(41,726)
Earnings per equity share			
Basic & Diluted	20	(0.47)	(0.02)


The accompanying notes are an integral part of these financial statements


For K.C.Malhotra & Co.
Chartered Accountants
(Firm regn.No.000057N)

(Ramesh Malhotra)
Partner
M.No.013624
Place: New Delhi
Date: 18.5.2018



For and on behalf of the Board of Directors


(S.K. Khorana)
Director
DIN: 00085300


(V.K. Luthra)
Director
DIN: 02837289

Isgec Covema Limited

CIN: U52109DL1986PLC025908

Cash Flow Statement for the year ended 31st March.2018

	31.3.2018	31.3.2017
(IN INR)		
Cash flow from operating activities :		
Profit before tax	(1,196,406)	(33,889)
Adjustment for :		
Interest Income	(680,594)	(605,728)
Change in Operating assets and liabilities		
Decrease /(increase) in operating assets:		
Non-current financial assets -Trade receivables	1,546,172	1,477,632
Other non-current assets	(23,156)	-
Current financial assets - Trade receivables	-	810,938
Other financial assets	108,737	(210,395)
Current tax assets (net)	(20,892)	470,537
Other current assets	(4,740)	113,460
Increase / (decrease) in Operating Liabilities :		
Other financial liabilities	-	2,415
Trade payable	(44,959)	(3,191,206)
Other Current Liabilities	(3,016)	(74,507)
Cash generated from operations	(318,854)	(1,240,743)
Taxes paid	-	(18,309)
Net cash outflow from operating activities (A)	(318,854)	(1,259,052)
Cash flows from investing activities :		
Interest Received	680,594	605,728
Net Cash inflow (outflow) from Investing Activities (B)	680,594	605,728
Cash flows from financing activities :		
Net cash inflow (outflow) from financial Activities (C)	-	-
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	361,740	(653,324)
Cash and Cash Equivalents as at the beginning of the year	10,179,493	10,832,817
Cash and Cash Equivalents as at the end of the year	10,541,233	10,179,493

The accompanying notes are an integral part of these financial statements

For K.C.Malhotra & Co.
Chartered Accountants
(Firm regn.No.000057N)

(Ramesh Malhotra)

Partner

M.No.013624

Place: New Delhi

Date: 18.5.2018



For and on behalf of the Board of Directors

(S.K. Khorana)

Director

DIN: 00085300

(V.K Luthra)

Director

DIN: 02837289

Isgec Covema Limited

Notes to financial statements for the year ended 31.03.2018

Statement of changes in equity

A : Equity share capital

(IN INR)

As at 1.4.2016	20,000,000
Changes in equity share capital	-
As at 31.3.2017	20,000,000
Changes in equity share capital	-
As at 31.3.2018	20,000,000

B : Other equity

(IN INR)

Particulars	Reserves and Surplus
	Retained Earnings
As at 01.04.2016	5,663,561
Profit/(loss) for the year	(41,726)
Total comprehensive income	5,621,835
As at 31.3.2017	5,621,835
Balance as at 31.3.2017	5,621,835
Profit/(Loss) for the year	(944,068)
Total comprehensive income	4,677,767
As at 31.3.2018	4,677,767

The accompanying notes are an integral part of these financial statements

For K.C.Malhotra & Co.

Chartered Accountants

(Firm regn.No.000057N)



(Ramesh Malhotra)

Partner

M.No.013624

Place: New Delhi

Date: 18.5.2018

For and on behalf of the Board of Directors


(S.K. Khorana)

Director

DIN: 00085300


(V.K Luthra)

Director

DIN: 02837289

Isgec Covema Limited

Note 1: Corporate information

The company is a limited company domiciled in India with its registered office at D-860, New Friends Colony, New Delhi-110025 and is incorporated under the provisions of the Companies Act, 1956 as applicable in India. The Company is the wholly owned subsidiary company of Isgec Heavy Engineering Limited holding the entire share capital alongwith its nominees.

The company is engaged in erection and commissioning of industrial boilers, sugar plants and related accessories.

Note 2 : Significant accounting policies

(a)Basis of preparation

(i)Compliance with IND AS

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

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements have been prepared under the historical cost convention on the accrual basis, except for certain financial instruments and provisions which are measured at fair values at the end of each reporting period, as explained in the accounting policies below (as applicable).

b)Current versus Non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is classified 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 the 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

A liability is classified as current when:

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

The company classifies all other liabilities as non-current

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

(c) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposit with banks. Cash equivalents are short term, highly liquid investments that readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value



Isgec Covema Limited
Significant accounting policies contd.

(d) Provisions

General

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

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.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits has become probable. Contingent liabilities are not recognised but are disclosed in Notes .

A contingent asset is not recognized but disclosed when an inflow of economic benefits is probable. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain events not wholly within the control of the entity.

(e) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operate and generate taxable income .Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. However, no provision for tax has been made as there is no assessable income

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses in the previous years. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

However, during the year ended 31st.March,2018 the company has not recognised Deferred tax asset for all temporary differences and unabsorbed depreciation and unused tax losses as there is no probability that taxable profits will be available against which those temporary differences and losses can be utilised

(f). Revenue recognition

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

Interest income

Interest income is recognised using the bank interest rates which is considered to be effective rate of interest. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. While calculating the effective interest rate ,the company estimates the expected cash flows by considering all the contractual terms of the financial instrument (For example prepayments, extension, call and similar options) but does not consider the expected credit losses.



Isgec Covema Limited
Significant accounting policies contd.

(g) Borrowing costs

Borrowing costs consists of interest and other costs, and are expensed in the period in which they are incurred.

(h) Earnings per share

Basic and diluted earnings is computed by dividing the profit/Loss attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year

(i) Financial instruments

(i) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

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

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

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

(ii) Impairment of financial assets

In accordance with IND-AS 109,the company applies expected credit loss (ECL) mode for measurement and recognition of impairment loss on financial assets and credit risk exposures.

Financial assets that are debt instruments,and are measured at amortised cost e.g.loans,deposits,trade receivables and bank balance. Financial assets that are debt instruments and are measured as at FVTOCI



Isgec Covema Limited
Significant accounting policies contd.

The company follows simplified approach for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its recognition.

(iii) Derecognition of financial assets

A financial asset is derecognised only when the company has transferred the rights to receive cash flows from the financial asset or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients. When the entity has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized. Where the company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

(j) Offsetting financial instruments

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

(k) Trade payables

The amount represents liabilities for services provided to the company prior to the end of the period which are unpaid. The amounts are unsecured non-interest bearings and are usually paid within 60 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized at amortised cost, and the carrying amounts are reasonable approximation of fair value.

(l) Standards issued but not yet effective upto the date of issuance of the company's financial

The new standards, interpretations and amendments to standards that are issued, but not yet effective, upto the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IND As 115 Revenue from contracts with customers

In February, 2015 IND AS 115-Revenue from contracts with customers was issued. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IND AS 115 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is applicable to all entities and will supersede all current recognition requirements under IND AS. The effective date is from accounting period beginning on or after 1st.April, 2018. The company is currently evaluating the requirements of IND AS 115, and has not yet determined the impact on the financial statements.



Isgec Covema Limited

Notes to financial statements for the year ended 31.3.2018

Note 3 : Non Current Financial Assets -Trade Receivables

(IN INR)

Particulars	31.03.2018	31.03.2017
Trade receivables (Unsecured considered good)	9,104,600	10,822,569
Less: Allowance for Doubtful Debts	(910,460)	(1,082,257)
Total Trade receivables	8,194,140	9,740,312

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

Note 4 :Non Current Financial Assets -Others

(IN INR)

	31.03.2018	31.03.2017
Security deposit (Unsecured)	30,000	30,000
Total non-current financial assets-others	30,000	30,000

Note 5: Deferred tax assets / liabilities (net)

The balance comprises temporary differences attributable to :

(IN INR)

	31.03.2018	31.03.2017
Deferred tax assets/(Liabilities)		
Tax losses	2,070,440	1,718,128
Other items		
Derivatives :		
-Allowance for doubtful debts-Trade receivables	234,443	334,417
Net deferred tax assets / (liabilities)	2,304,883	2,052,545

Movements in deferred tax assets/ (Liabilities)

(IN INR)

	Tax losses	Other items	Total
At 1st.April,2017	1,718,128	334,417	2,052,545
(charged) / credited			
-to profit and loss	352,312	-99,974	252,338
As at 31.3.2018	2,070,440	234,443	2,304,883

Note 6 :Other non current assets

(IN INR)

	31.03.2018	31.03.2017
Balance with Govt authorities		
-WCT receivables	2,489,762	2,489,762
-Service tax on input services	1,546,827	1,523,671
Total other non-current assets	4,036,589	4,013,433



Isgcc Covema Limited

Notes to financial statements for the year ended 31.3.2018

Note 7: Current Financial Assets- Cash and cash equivalents (IN INR)

	31.03.2018	31.03.2017
Balances with banks		
- In current & Cash Credit accounts	230,218	577,817
Bank fixed deposit with maturity within twelve months	10,311,015	9,601,676
Total Cash and cash equivalents	10,541,233	10,179,493

Note 8 :Other financial assets (IN INR)

	31.03.2018	31.03.2017
Interest accrued but not due on deposits	125,259	233,996
Total other financial assets	125,259	233,996

Note 9 :Current tax assets (net) (IN INR)

	31.03.2018	31.03.2017
Taxes recoverable	54,764	33,872
MAT credit entitlement	28,582	28,582
Less: Provision for MAT	(28,582)	(28,582)
Total current assets (net)	54,764	33,872

Note 10 : Other Current Assets (IN INR)

	31.03.2018	31.03.2017
Balance with Govt authorities		
-Service tax on input services	17,021	24,107
-CGST ITC - UP	5,913	-
-SGST ITC - UP	5,913	-
Total other current assets	28,847	24,107



Note 11 : Equity share capital

(IN INR)

	Number of shares	Amount
Authorised equity share capital with voting rights		
As at 1st.April, 2017	2,000,000	20,000,000
Increase during the year	-	-
As at 31st.March,2018	2,000,000	20,000,000
Increase during the year	-	-
As at 31st.March,2018	2,000,000	20,000,000
Issued equity capital with voting rights		
Equity shares of Rs 10 each issued, subscribed and fully paid		
As at 1st.April, 2017	2,000,000	20,000,000
Changes during the year	-	-
As at 31st.March,2018	2,000,000	20,000,000

(i)Terms and rights attached to equity shares

The company has only one class of equity shares having a par value of Rs 10 per share.Each shareholder is eligible to one vote per share held.The dividend proposed by the Board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting .In the event of liquidation of the company ,the equity shareholders are eligible to receive the remaining assets of the company,after distribution of the preferential amounts in proportion to their shareholding.

(ii)Shares of the company held by holding company

	31.3.2018	31.3.2017
Isgec Heavy Engineering Limited *	2,000,000	2,000,000

(iii)Detail of Shareholders holding more than 5% shares in the company

	31.3.2018		31.3.2017	
	Number of shares	% of holding	Number of shares	% of holding
Isgec Heavy Engineering Limited *	2,000,000	100	2,000,000	100

* Out of 2,000,000 shares held by Isgec Heavy Engineering Limited 100 shares are held by six nominees of Isgec Heavy Engineering Limited



Isgec Covema Limited

Notes to financial statements for the year ended 31.3.2018

Other equity

Note 12 : Reserves and surplus

(IN INR)

	31.3.2018	31.3.2017
Retained earnings (i)	4,677,767	5,621,835
Total reserves and surplus	4,677,767	5,621,835

(i) Retained earnings

(IN INR)

	31.3.2018	31.3.2017
Opening balance	5,621,835	5,663,561
Profit /(Loss) for the year	(944,068)	(41,726)
Closing balance	4,677,767	5,621,835

Retained earnings

This represents appropriation of profit by the company

Note 13 : Trade payables

(IN INR)

	31.03.2018		31.3.2017	
	Non-current	Current	Non-current	Current
Trade payables (refer Note 24)	167,150	28,694	167,150	73,563
Total trade payables	167,150	28,694	167,150	73,563

Note 14 : Other Liabilities

(IN INR)

	31.3.2018		31.3.2017	
	Non-current	Current	Non-current	Current
Advance from customers	442,104		442,104	
Statutory dues				3,016
	442,104		442,104	3,016



Isgec Covema Limited
Notes to financial statements for the year ended 31.3.2018

Note 15: Other Income

	31.3.2018	31.03.2017
Interest on Fixed deposit	678,052	580,199
Interest on Income tax refund	2,542	25,529
Total other income	680,594	605,728

Note 16: Erection Cost

	31.3.2018	31.03.2017
Erection Contracts	1,717,969	550,000
Total erection cost	1,717,969	550,000

Note 17: Finance costs

	31.3.2018	31.03.2017
Interest - late deposit of service tax	195,915	-
Other borrowing costs	1,067	484
Total finance costs	196,982	484

Note 18: Other expenses

	31.3.2018	31.03.2017
Rates and taxes	44	10,058
Local Conveyance	328	
Rent	9,000	36000
Printing and stationery	530	
Legal and professional charges	107,294	188,108
Payment to Statutory Auditors		
-Statutory audit fees	15,000	15,000
-Other Services	1,650	1,650
-service tax		2,498
Expected Credit Loss	(171,797)	-164,181
Total other expenses	(37,951)	89,133

Note 19 Tax expense

Particulars	31.3.2018	31.03.2017
a) Current tax		
Adjustment for tax relating to earlier years(net)	-	18309
Total current tax expense	-	18,309
b) Deferred tax	(252,338)	(10,472)
Total deferred tax expense	(252,338)	(10,472)
Total Income tax expense	(252,338)	7837

Reconciliation of tax expense and accounting profit multiplied by tax rate

	31.3.2018	31.03.2017
Profit /(loss) before tax	(1,196,406)	(33,889)
Tax @25..75 % (30.90 % 2016-17)	-	-
Tax effect amounts which are not deductible in calculating taxable income		
Tax relating to to earlier year(net)		18,309
Deferred tax	(252,338)	(10,472)
Income tax expense	(252,338)	7,837



Isgec Covema Limited
Notes to financial statements for the year ended 31.3.2018

Note 20 : Earnings per share (EPS)

In accordance with IND - AS 33 on "Earning per share" ,the following table reconciles the numerator and denominator used to calculate Basic and Diluted earning per share:		
(IN INR)		
Particular	31.3.2018	31.3.2017
Profit /(loss) attributable to equity shareholders	(944068)	(41726)
Weighted average number of equity shares	2,000,000	2,000,000
Nominal value of equity shares	10	10
Basic and Diluted earnings per share	-0.47	-0.02

Note 21 : Related Party transactions

	31.3.2018	31.3.2017
(a) Transactions with related parties		
Holding company		
- Isgec Heavy Engineering Limited	-	-
b) Key Management Personnel	-	-

Note 22 : Fair value measurements

Financial instruments by category	Carrying value		Fair value	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Financial assets at amortised cost				
Trade receivables	3	8194140	9740312	8194140
Security deposits	4	30000	30000	30000
Cash and cash equivalents	7	10,541,233	10,179,493	10,541,233
Interest accrued abnd due	8	125,259	233,996	125,259
Total financial assets		18,890,632	20,183,801	18,890,632
Financial liabilities at amortised cost				
Trade payables	13	195,844	240,803	195,844
Total financial liabilities		195,844	240,803	195,844

Fair values of financial assets and liabilities are measured at amortised cost as the carrying amounts are considered equal to their fair values

Note 23: Segment information

The company is engaged in one segment of erection and commissioning of industrial boilers and sugar plants and related accessories, identified in accordance with principles enunciated in Indian Accounting Standard (IND AS-108), Segment Reporting. Hence, separate business segment information is not applicable.

The Board of Directors of the Company has been identified as the The Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker also monitors the operating results as one single segment for the purpose of making decisions about resource allocation and performance assessment and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.



Note 24 : Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006

The Micro, Small and Medium Enterprises Development (MSED) Act, 2006 requires specific disclosures to be made in financial statements of the buyer wherever such financial statements are required to be audited under any Act. IND-AS Compliant Schedule III is silent on MSMED disclosures. However, these financial statements do not contain statutory disclosures such as disclosures required under the MSMED Act as the company has not received any intimation from suppliers regarding their status under MSED Act.

Note 25 : Contingent liabilities and contingent assets

Contingent liability :
Contingent liability in respect of guarantees furnished by the bankers on behalf of the company Nil (previous year Rs 2,400,000) against counter guarantees by the holding company to the bankers for the same amount.

Note 26 : Financial risk management

The company's financial liabilities comprises of trade and other payables. The main purpose these financial liabilities is to manage finances for the company's operations, and financial assets include trade and other receivables, cash and cash equivalents and other financial assets that are derived from its operations. The company is exposed to Market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprises three types of risk: currency rate risk, interest rate risk and other price risks, such as equity price and commodity price risk. Financial instruments affected by market risks include loans and borrowings, deposits and derivative financial instruments.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet the obligation under a financial instrument or customer contract, leading to a financial loss. The company is exposed from its operating activities (primarily trade receivables) which are unsecured and derived from external customers. Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks. Investments primarily include certificates of deposits which are funds deposited at a bank for a specified time period. The board of directors reviews and agrees policies for managing each of these risks. The limits are set to minimise the concentration of risks, and therefore mitigate loss through counterparty's potential failure to make payments.

Trade receivables

Customer credit risk is managed by the company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and an impairment analysis is performed at each reporting date on trade receivables by lifetime expected credit loss method based on provision matrix.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4. The company does not hold collateral as security. The company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. Trade receivables are written off when there is no reasonable expectations of recovery or failing to engage in a repayment plan with the company.

Expected credit loss for trade receivables under simplified approach

Ageing	Not due	Less than 6 months	6 to 12 months	More than 12 months	Total
As at 31.3.2017					
Gross carrying amount				10,822,569	10,822,569
Expected credit loss				-1,082,257	-1,082,257
Carrying amount of trade receivables (net of impairment)	-	-	-	9,740,312	9,740,312
As at 31.3.2018					
Gross carrying amount				9,104,600	9,104,600
Expected credit loss				-910,460	-910,460
Carrying amount of trade receivables (net of impairment)	-	-	-	8,194,140	8,194,140

The following table summarises the change in the loss allowances measured using expected credit loss model (ECL):

Particulars	ECL for Trade Receivables
As at 1.4.2017	1,082,257
Provided during the year	
Reversal of provisions	-1,111,911
As at 31.3.2018	910,460

(b) Liquidity risk

Liquidity risk is defined as the risk that company will not be able to settle or meet its obligation on time or at a reasonable price. The Company's objective is to at all times maintain optimum levels of liquidity to meet its cash and its liquidity requirements. The company closely monitors its liquidity position and deploys a robust cash management system. It maintains adequate source of financing through the use of short term bank deposits. In addition, processes and policies related to such risk are overseen by senior management. Management monitors the Company's liquidity position through rolling forecast on the basis of expected cash flows.

Maturities of financial liabilities

The following table summarises the maturity profile of the company's financial liabilities at the reporting date based on contractual undiscounted payments.

Contractual maturities of financial liabilities	31.3.2018					31.3.2017				
	on demand	Less than 6 months	6 to 12 months	1 to 5 years	Total	on demand	Less than 6 months	6 to 12 months	1 to 5 years	Total
Non-derivatives										
Trade payables	28,694			167,150	195,844	73,653			167,150	240,803
Total Non-derivatives	28,694			167,150	195,844	73,653			167,150	240,803

Note 27: Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For K.C. Malhotra & Co.
Chartered Accountants
(Firm regn. No. 000057N)

For and on behalf of the Board of Directors

(R. Shresh Malhotra)
Partner
M No. 013624
Place: New Delhi
Date: 18.5.2018

(S.K. Khorena)
Director
DIN: 00085300

(V.K. Luthra)
Director
DIN: 02837285

