

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISGEC HITACHI ZOSEN LIMITED**

#### **Report on the Standalone Financial Statements**

We have audited the accompanying standalone financial statements of **ISGEC HITACHI ZOSEN LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement 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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone 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 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks



of material misstatement of the 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 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 the 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 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 financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016, and its profit and its cash flows 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 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.
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 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 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".
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29(III) with Excise Department to the financial statements;
  - ii. The Company does not have any long term contracts including derivative contracts on which there were any foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S S Kothari Mehta & Co  
Chartered Accountants  
Firm's Registration No. 000756N



K K Tulshan  
Partner

Membership No. 085033



Place of Signature: *New Delhi*

Date: *9/5/2016*

*9th May 2016*

**Annexure A to the Independent Auditor's Report to the members of Isgec Hitachi Zosen Limited dated.....**

**Report on the matters specified in paragraph 3 of the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Companies Act, 2013 ("the Act") as referred to in paragraph 1 of 'Report on Other Legal and Regulatory Requirements' section**

(i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) The Company has physical verified these fixed assets as per its program of physical verification that covers every item of fixed assets over a period of three years. No material discrepancies were noticed on such verification;

(c) The Company does not have any immovable properties acquired in its own name. However, it has constructed the following immovable properties on land taken on lease from the holding company:

S. No.	Class of asset	Gross Amount (₹ in lacs)
1	Buildings	31.76

(ii) The physical verification of inventory has been conducted at reasonable intervals by the management. No material discrepancies were noticed on such physical verification;

(iii) The Company has not granted 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. Therefore sub - clauses (iii) (a), (iii) (b) & (iii) (c) of the Order are not applicable;

(iv) According to the information and explanation given to us, the company has complied with the provision of section 185 and 186 of Act, with respect to the loans, investments, guarantees, and security made.

(v) As per information and explanation provided to us, the Company has not accepted any public deposits during the year. Further, we have not come across any such deposit(s) nor the management has reported any such deposit(s), therefore the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under are not applicable.

(vi) We have broadly reviewed the books and records required to be maintained as specified by the Central Government under sub-section (1) of section 148 of the



Companies Act, 2013 and we are of the opinion that prima facie, the prescribed accounts and records are being maintained.

(vii) (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. There are no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.

(b) The particulars of dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute are as under:

S. No.	Nature of Statutory Dues	Forum where pending	Year	Amount (₹ in lacs)
1	Excise duty	Commissioner (Appeals)	2015-16	43.58
2	Excise duty	Commissioner (Appeals)	2015-16	2.27

- (viii) The Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government. The Company has not issued any debentures.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. No term loans were raised during the year.
- (x) According to the information and explanations given to us, no fraud by the Company or fraud on the Company by its officers or employees has been noticed or reported during the year;
- (xi) According to the information and explanation given to us and based on our examination of the records of the Company, the Company has paid or provided for the managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act;
- (xii) The Company is not a Nidhi Company, hence clause (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) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit.
- (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 non-cash transactions with directors or persons connected with him. Accordingly, clause (xv) of para 3 of the Order is not applicable;
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934;

For S S Kothari Mehta & Co  
Chartered Accountants  
Firm's Registration No. 000756N



K K Tulshan  
Partner  
Membership No. 085033



Place of Signature: *New Delhi*

Date: *9th May 2016*

**Annexure B to the Independent Auditor's Report to the members of Isgec Hitachi Zosen Limited dated.....**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") as referred to in paragraph 2(f) of 'Report on Other Legal and Regulatory Requirements' section**

We have audited the internal financial controls over financial reporting of **ISGEC HITACHI ZOSEN LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

**Auditors' 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, issued by ICAI and deemed to be prescribed 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 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 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:

- a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- b) 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
- c) 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, 2016, based on "the internal control over





financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”.

For S S Kothari Mehta & Co  
Chartered Accountants  
Firm's Registration No. 000756N



K K Tulshan  
Partner  
Membership No. 085033

Place of Signature: *New Delhi*  
Date: *9th May 2016*

# Isgec Hitachi Zosen Limited

CIN: U28123HR2012PLC045430

Balance Sheet as at 31st March, 2016

(Rs in lacs)

Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	10,000.00	10,000.00
(b) Reserves and Surplus	2	637.53	(512.85)
		<b>10,637.53</b>	<b>9,487.15</b>
<b>(2) Non-current Liabilities</b>			
(a) Long Term Borrowing	3	926.70	1,390.05
(b) Other Long-term Liabilities	4	15.12	11.25
(c) Long-term Provisions	5	186.83	137.09
		<b>1,128.65</b>	<b>1,538.39</b>
<b>(3) Current Liabilities</b>			
(a) Short Term Borrowing	6	963.95	8,939.61
(b) Trade Payables	7	1,626.77	2,082.00
(c) Other Current Liabilities	8	12,441.69	7,274.02
(d) Short-term Provisions	9	348.26	171.13
		<b>15,380.67</b>	<b>18,466.76</b>
<b>Total</b>		<b>27,146.85</b>	<b>29,492.30</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	10	3,073.03	2,792.87
(ii) Intangible Assets	11	31.30	37.79
		<b>3,104.33</b>	<b>2,830.66</b>
(b) Deferred Tax Assets (Net)	12	124.78	592.14
(c) Long-term Loans and Advances	13	33.88	19.95
(d) Other Non-current Assets	14	761.17	332.79
		<b>4,024.16</b>	<b>3,775.54</b>
<b>(2) Current Assets</b>			
(a) Inventories	15	14,553.19	11,003.09
(b) Trade Receivables	16	4,955.99	10,717.23
(c) Cash and Bank Balances	17	1,391.90	771.62
(d) Short-term Loans and Advances	18	2,122.95	3,186.53
(e) Other Current Assets	19	98.66	38.29
		<b>23,122.69</b>	<b>25,716.76</b>
<b>Total</b>		<b>27,146.85</b>	<b>29,492.30</b>
Notes to the financial statements	1 to 42		

The Notes referred to above form an integral part of the financial statements

As per our report of even date.

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Registration No.000756N

CA.K.K. Tulshan  
Partner  
M.No.085033



Shailish Kumar  
Manager & CFO

Aasha Rani  
Company Secretary  
M.No.A39007

Brajesh Kr. Rai  
Chief Operating Officer

Place: New Delhi  
Dated: 9th May 2016

For and on behalf of the Board of Directors

Sanjay Gulati  
Managing Director  
DIN: 05201178

Hideaki Horiuchi  
Director  
DIN: 07033748

# Isgec Hitachi Zosen Limited

CIN: U28123HR2012PLC045430

Statement of Profit and Loss for the year ended 31st March 2016

(Rs in lacs)

Particulars	Note No.	Year ended 31.03.2016	Year ended 31.03.2015
I. Revenue from Operations	20	29,662.49	33,675.99
Less Excise Duty		1,719.33	393.57
		27,943.16	33,282.42
II. Other Income	21	85.07	63.60
<b>III. Total Revenue</b>		<b>28,028.23</b>	<b>33,346.02</b>
IV. Expenses:			
(a) Cost of Material Consumed	22	15,995.49	14,361.99
(b) Changes in Inventories of Finished Goods, Work - in - Progress and Stock - in - trade	23	(3,803.12)	3,583.84
(c) Employee Benefits Expenses	24	2,572.71	2,251.66
(d) Financial Costs	25	887.28	784.19
(e) Depreciation		472.87	298.38
(f) Other Expenses	26	10,269.45	10,614.68
<b>Total Expenses (IV)</b>		<b>26,394.68</b>	<b>31,894.72</b>
<b>V. Profit/ (Loss) before Tax (III-IV)</b>		<b>1,633.55</b>	<b>1,451.29</b>
VI. Tax Expense:			
(a) Current Tax	27	338.38	295.00
Less- MAT Credit Entitlement		-338.38	-295.00
(b) Deferred Tax	12	467.37	321.93
(c) Previous Year Tax		15.80	-
		<b>483.17</b>	<b>321.93</b>
<b>VII Profit/ (Loss) after Tax for the year (V-VI)</b>		<b>1,150.38</b>	<b>1,129.37</b>
<b>VIII Basic /Diluted earning per share of Rs. 10 Each (Rs.)</b>	28	<b>1.15</b>	<b>1.13</b>
Notes to the Financial Statements	1 to 42		

**The Notes referred to above form an integral part of the financial statements**

As per our report of even date.

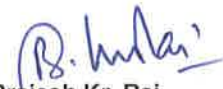
For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Registration No.000756N

**CA.K.K. Tulshan**  
Partner  
M.No.085033

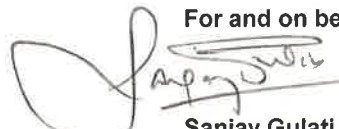


Place: New Delhi  
Dated: 9th May 2016

  
**Shailesh Kumar**  
Manager & CFO

  
**Brajesh Kr. Rai**  
Chief Operating Officer

  
**Aasha Rani**  
Company Secretary  
M.No.A39007

  
**Sanjay Gulati**  
Managing Director  
DIN: 05201178

  
**Hideaki Horiuchi**  
Director  
DIN: 07033748

# Isgec Hitachi Zosen Limited

CIN: U28123HR2012PLC045430

Cash Flow Statement for the year ended 31st March, 2016

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
<b>A. Cash flow from Operating activities:</b>		
Net (loss)/profit before tax but after exceptional /extraordinary items	1,633.55	1,451.29
<b>Adjustments for:</b>		
Depreciation	472.87	298.38
Interest Expense	887.28	784.19
Interest and other Income	(79.66)	(63.60)
Profit on Sale of Fixed Assets	(1.62)	-
Liability no longer required written back	-	(72.43)
<b>Operating profit before working capital changes</b>	<b>2,912.42</b>	<b>2,397.83</b>
<b>Adjustments for changes in working capital :</b>		
- (Increase)/Decrease in Trade Receivables	5,761.24	(9,994.54)
- (Increase)/Decrease in Other Receivables	576.29	(120.92)
- (Increase)/Decrease in Inventories	(3,550.10)	6,307.20
- Increase/(Decrease) in Trade, Other payable	4,876.00	(5,175.99)
<b>Cash generated from operations</b>	<b>10,575.85</b>	<b>(6,586.41)</b>
- Taxes (Paid) / Received (Net of TDS)	60.64	254.67
<b>Net cash from operating activities</b>	<b>10,636.49</b>	<b>(6,331.75)</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed assets	(750.97)	(1,788.75)
Sale of Fixed Assets	6.06	-
Interest Received (Revenue)	64.27	83.18
<b>Net cash used in investing activities</b>	<b>(680.65)</b>	<b>(1,705.57)</b>
<b>C. Cash flow from Financing activities:</b>		
Proceeds/(Repayment) of Equity Share Capital	(8,439.02)	7,348.37
Proceeds/(Repayment) from Secured loans	(896.53)	(784.19)
Interest and other Borrowing cost Paid	-	-
<b>Net cash used in financing activities</b>	<b>(9,335.55)</b>	<b>6,564.18</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>620.28</b>	<b>(1,473.14)</b>
<b>Cash and cash equivalents as at 31.03.2015</b>	<b>771.62</b>	<b>2,244.76</b>
<b>Cash and cash equivalents as at 31.03.2016</b>	<b>1,391.90</b>	<b>771.62</b>
<b>Cash and cash equivalents comprise</b>		
Cash, Cheques & Drafts (in hand) and Remittances in transit	0.48	0.59
<b>Balance with Scheduled Banks :</b>		
Current Accounts	164.39	50.05
Term Deposit & Margin Money with Banks (against Bank Guarantees & Letter of Credit issued by Bank)	1,227.03	720.97
	<b>1,391.90</b>	<b>771.62</b>

**Notes :**

- 1 The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard - 3 .
- 2 Figures in brackets indicate cash outgo.
- 3 Previous year figures have been regrouped and recast wherever necessary to conform to the current year classification.

As per our report of even date.

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Registration No.000756N

CA.K.K. Tulshan  
Partner  
M.No.085033



Shailesh Kumar  
Manager & CFO

Aasha Rani  
Company Secretary  
M.No.A39007

Brajesh Kr. Rai  
Chief Operating Officer

Place: New Delhi  
Dated: 9th May 2016

For and on behalf of the Board of Directors

Sanjay Gulati  
Managing Director  
DIN: 05201178

Hideaki Horiuchi  
Director  
DIN: 07033748

**Isgec Hitachi Zosen Limited**  
Notes on Financial Statements

**Note 1 Share Capital**

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number of shares	(Rs in lacs)	Number of shares	(Rs in lacs)
<b>Authorized</b> Equity shares of Rs.10 each with voting rights	110,000,000	11,000	110,000,000	11,000
<b>Issued</b> Equity shares of Rs.10 each with voting rights	100,000,000	10,000	100,000,000	10,000
<b>Subscribed and Fully Paid-up</b> Equity shares of Rs.10 each with voting rights	100,000,000	10,000	100,000,000	10,000
	100,000,000	10,000	100,000,000	10,000

**Notes:**

- (a) The rights, preferences and restrictions attached to each class of shares including restrictions on the distribution of dividends and the repayment of capital are as under:

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each share holder is entitled to one vote per share. During the year ended 31st March 2016, the dividend per share recognised as distribution to equity holders is Nil. The total dividend appropriation for the year ended 31st March 2016 amounts to Nil. In the event of the liquidation of the company, the holders of the equity shares will be entitled to receive the remaining assets of the company, after distribution of all the preferential amounts. The distribution will be in proportion to number of equity shares held by each of the equity share holders. There are restrictions and conditions attached to transfer of shares in accordance with joint venture agreement dated 13th February 2012.

- (b) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year :

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number of shares	(Rs in lacs)	Number of shares	(Rs in lacs)
Equity shares outstanding at the beginning of the year	100,000,000	10,000	100,000,000	10,000
Add: Issued during the year	-	-	-	-
Less: Shares bought back	-	-	-	-
<b>Equity shares outstanding at the end of the year</b>	<b>100,000,000</b>	<b>10,000</b>	<b>100,000,000</b>	<b>10,000</b>

- (c) Detail of Shares held by Holding Company:

Name of the Holding Company	As at 31.03.2016		As at 31.03.2015	
	Number of shares held	% Holding in that class of	Number of shares held	% Holding in that class of
Isgec Heavy Engineering Limited	51,000,000	51%	51,000,000	51%

ISGEC Hitachi Zosen Limited is a Joint Venture between Isgec Heavy Engineering Limited, India and Hitachi Zosen Corporation, Japan vide Joint Venture agreement dated 13th February, 2012. However, it is treated as a subsidiary of Isgec Heavy Engineering Limited in view of the definition provided in the Companies Act, 2013 and as per guidance in the Accounting Standard (AS) 27 - 'Financial Reporting of Interests in Joint Ventures' notified under the Companies (Accounting Standards) Rule, 2006.

- (d) Detail of Shares held by each shareholder holding more than 5% Shares:

Class of shares/Name of the shareholders:	As at 31.03.2016		As at 31.03.2015	
	Number of shares held	% Holding in that class of shares	Number of shares held	% Holding in that class of shares
Equity shares with voting rights				
(i) Isgec Heavy Engineering Limited, India and its nominees	51,000,000	51%	51,000,000	51%
(ii) Hitachi Zosen Corporation, Japan and its nominees	49,000,000	49%	49,000,000	49%



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 2 Reserves and Surplus

(Rs in lacs)

Particulars	(Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
<b>Surplus(+)/Deficit(-) in Statement of Profit and Loss</b>		
Opening balance of profit and loss A/c	(512.85)	(1642.22)
Surplus(+)/Deficit(-) during the Year	1150.38	1129.37
<b>Total</b>	<b>637.53</b>	<b>(512.85)</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 3 Long Term Borrowings

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
Bank borrowing-Term loan-ECB ( Secured )(Refer note 3.1 Below)	926.70	1,390.05
<b>Total</b>	<b>926.70</b>	<b>1,390.05</b>

### Note 3.1 Detail of Term Loans from Banks:

(Rs in lacs)

Initial Loan Amount	Loan Outstanding as at 31.03.16	Current maturity	Long Term	Rate of Interest	Term of Repayment	Security
1853.4	1,390.05	463.35	926.70	11.20%	Repayable in quarterly installments of Rs.115.84 Lacs each.	(a) First charge on Plant and Machinery exclusively/ specifically procured by utilizing above said loan amount. (b) The corporate guarantee of Isgec Heavy Engineering Limited.

### Note 4 Other Long Term Liabilities

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
Deposits from Employees (under Car Loan Scheme)	14.12	11.25
Security Deposits received.	1.00	-
<b>Total</b>	<b>15.12</b>	<b>11.25</b>

### Note 5 Long Term Provisions

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
<b>(I) Provision for Employee Benefits:</b>		
(a) Provision for Pension (unfunded )	33.78	33.85
(b) Provision for Leave Encashment (unfunded)	109.07	81.53
<b>(II) Others</b>		
(a) Provision after sale service	43.98	21.71
<b>Total</b>	<b>186.83</b>	<b>137.09</b>

### Note 5.1 Movement of provision for Liabilities

#### Disclosure in terms of Accounting Standard AS – 29 on Provisions, Contingent Liabilities and Contingent Assets:-

Particulars	As at 31.03.2016	As at 31.03.2015
<b>(A) Movement of provision for Performance Warranties / After Sales Services</b>		
(i) Opening Balance	35.80	4.33
(ii) Provided for during the year	131.95	31.53
(iii) Used during the year	35.80	0.07
(iv) Reversed during the year	-	-
<b>Closing Balance</b>	<b>131.95</b>	<b>35.80</b>
<b>Break up of Closing Balance</b>		
Long term provisions	43.98	21.71
Short term provisions	87.97	14.09
<b>(B) Timing of outflow/uncertainties</b>	Outflow will happen as and when claims are made by customers.	



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 6 Short-term Borrowing

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
<b>a) Secured</b>		
(i) Cash Credit from Banks	963.95	8,939.61
<b>Total</b>	<b>963.95</b>	<b>8,939.61</b>

Details of Securities offered for above short term Borrowing :-

- 1.) Secured against first pari-passu charge on current assets of the Company, both present and future.
- 2.) First Pari-Passu charge on Plant and Machinery of the Company (excluding machinery exclusively/specifically charged to other lender) both present and future.
- 3.) Corporate Guarantee of Isgec Heavy Engineering Limited.
- 4.) Rate of interest ranging from 10.25% to 10.75% p.a.





# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 7 Trade Payables

( Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
(a) To Micro & Small Enterprises	36.81	56.11
(b) To Other than Micro & Small Enterprises	825.48	1,344.86
(c) To Isgec Heavy Engineering Ltd (Related Part -refer note 31.1(F))	233.82	38.93
(d) To Hitachi Zosen Corporation, Japan (Related party - refer note 31.1(F))	530.66	642.10
<b>Total</b>	<b>1,626.77</b>	<b>2,082.00</b>

### Note 7.1 Trade Payables to Micro and Small Enterprises

( Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
a) Amount remaining unpaid to any supplier		
Principal Amount	36.81	56.11
Interest due thereon	Nil	Nil
b) Interest paid under Micro, Small and Medium Enterprises (Development) Act, 2006	Nil	Nil
c) Interest due (Other than (b) above)	Nil	Nil
d) Interest accrued and unpaid	Nil	Nil



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 8 Other Current Liabilities

Particulars	( Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
a) Current Maturities of long -term debt		
(i) External Commercial Borrowing (Refer note 3 )	463.35	463.35
(b) Interest accrued but not due on borrowings	29.43	38.67
(c) Advance from Customers (unrelated)	5,551.59	2,579.89
(d) Advance from Customers (related)		
-Hitachi Zosen Corporation, Japan (Related party - Refer note -31.1(G))	5,195.92	2,893.71
-Isgec Heavy Engineering Ltd.(Related party - Refer note -31.1(G))	138.74	-
(e.) Statutory remittances	84.10	118.12
(f) Payables to Employees	167.04	185.31
(g) Supplier of Capital goods.	13.08	55.84
(h) Other Liabilities		
- Stale Cheque	6.03	2.94
-Expenses Payable	792.40	936.19
<b>Total</b>	<b>12,441.69</b>	<b>7,274.02</b>

### Note 9 Short-term Provisions

Particulars	( Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
<b>(I) Provision for Employee Benefits:</b>		
(a) Provision for Leave Encashment (unfunded )	7.38	3.43
(b) Provision for Pension (unfunded )	2.11	4.14
(c ) Provision for Gratuity (funded)	39.05	14.13
<b>(II) Others</b>		
(a) Provision for after sale service	87.97	14.09
(b) Provision of Income tax {Net of Advance tax and TDS Rs.130.79 Lacs (previous year Rs. 110.02 Lacs )}	211.76	135.34
<b>Total</b>	<b>348.26</b>	<b>171.13</b>



**Isgec Hitachi Zosen Limited**  
Notes on Financial Statements

**Note 10 : Tangible Assets**

Sr. Nos.	Particulars	Gross Block			Depreciation		Net Block		
		Balance as at 01.04.2015	Additions	Deduction	Balance as at 31.3.2016	For the year	Deduction	Balance as at 31.3.2016	Balance as at 31.3.2015
1	<u>BUILDING (Method- WDV)</u>								
(A)	Other than Factory Building RCC Frame Structure.	29.76	2.00	-	31.76	1.38	-	28.92	28.29
2	<u>PLANT AND MACHINERY (Method- SLM &amp; WDV)</u>								
(A)	Plant and Machinery (Method- SLM)	2,564.22	638.91	-	3,203.12	321.43	-	2,699.57	2,382.09
(B)	Tools and Implements (Method-WDV)	117.94	13.32	-	131.26	33.14	-	63.55	83.37
3	<u>GENERAL FURNITURE AND FITTINGS (Method- WDV)</u>								
	Furniture and Fittings.	68.50	4.09	-	72.60	11.65	-	32.73	40.29
4	<u>VEHICLE (Method- WDV)</u>								
		37.32	35.05	9.93	62.44	7.45	5.55	42.19	18.98
5	<u>OFFICE EQUIPMENTS (Method- WDV)</u>								
(A)	Office Equipments	22.12	8.05	0.06	30.11	7.31	0.00	13.67	13.00
(B)	Library	3.97	-	-	3.97	0.93	-	1.04	1.97
6	<u>ELECTRICAL INSTALLATION AND EQUIPMENT (Method- WDV)</u>								
(A)	Electronic Equipments	9.13	2.45	-	11.58	2.09	-	6.96	6.60
(B)	Electrical Installation	200.06	5.45	-	205.51	44.57	-	130.69	169.81
(C)	Refrigeration And Air Conditioning Mach.	18.67	1.15	-	19.81	3.72	-	11.09	13.66
7	<u>COMPUTERS AND DATA PROCESSING UNITS (Method- WDV)</u>								
(A)	Computer, laptop, Desktop etc.	50.80	30.37	-	81.18	24.11	-	27.44	21.19
8	<u>GENERAL LABORATORY EQUIPMENTS (Method- WDV)</u>								
		18.67	6.38	-	25.04	4.84	-	15.16	13.63
	<b>Total</b>	<b>3,141.15</b>	<b>747.21</b>	<b>9.99</b>	<b>3,878.37</b>	<b>462.62</b>	<b>5.55</b>	<b>3073.03</b>	<b>2792.87</b>
	Previous Year	<b>347.25</b>	<b>2798.71</b>	<b>4.81</b>	<b>3141.15</b>	<b>291.20</b>	<b>0.32</b>	<b>2792.87</b>	<b>290.17</b>

**Note 10.1**

Borrowing Cost Capitalized during the year is Nil, previous year was Rs. 96.57 Lacs

**Note 11 : Intangible Assets**

Sr. No.	Particulars	Gross Block			Depreciation		Net Block		
		Balance as at 01.04.2015	Additions	Deduction	Balance as at 31.3.2016	For the year	Deduction	Balance as at 31.3.2016	Balance as at 31.3.2015
(A)	Computer Software	49.33	3.76	-	53.09	10.25	-	21.79	37.79
	<b>Total</b>	<b>49.33</b>	<b>3.76</b>	<b>-</b>	<b>53.09</b>	<b>10.25</b>	<b>-</b>	<b>31.30</b>	<b>37.79</b>
	Previous Year	<b>23.62</b>	<b>25.71</b>	<b>-</b>	<b>49.33</b>	<b>7.18</b>	<b>-</b>	<b>37.79</b>	<b>19.26</b>

**Note 11.1**

As per Accounting Standard, AS - 26, the assets acquired during the year have been capitalised and amortised over estimated useful life as follows:-  
Software Licenses (Useful Life 5 years)



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 12 Deferred Tax

The Company estimates the Deferred tax (charge)/ credit for the year using the applicable tax rate based on timing differences between book and tax profits/loss. Deferred tax assets on account of unabsorbed losses & unabsorbed depreciation are recognised to the extent there is virtual certainty of realising such assets against future taxable income.

(Rs. In Lacs.)

Element of Deferred Tax	As at 31.03.2015	Credit / (Charge) during the year	As at 31.03.2016
Depreciation	(216.50)	(1.99)	(218.48)
Other Timing Differences	36.44	8.91	45.34
Business Loss /Unabsorbed Depreciation	772.21	(474.29)	297.92
<b>Net Deferred Tax Assets</b>	<b>592.14</b>	<b>(467.37)</b>	<b>124.78</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 13 Long-term Loans and Advances

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
<b><u>Unsecured considered good</u></b>		
(a) Security Deposits	0.23	0.23
(b) Loan and advances to Employees	33.65	19.72
<b>Total</b>	<b>33.88</b>	<b>19.95</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 14 Other Non-current Assets

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.03.2015
Unamortised Preliminary Expenses	0.00	11.37
Fixed deposit with Bank with more than 12 months maturity period (Refer Note 17)	116.79	26.43
Minimum Alternate Tax Credit entitlement	633.38	295.00
Capital Advance	11.00	-
<b>Total</b>	<b>761.17</b>	<b>332.79</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 15 Inventories

Particulars	(Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
Raw Materials	2,111.50	2,354.01
Stores and Spares	77.49	97.76
Material Under Inspection/ in Transit	221.10	211.34
Work-in-Progress : - Engineering Goods	12,143.10	8,339.98
<b>Total</b>	<b>14,553.19</b>	<b>11,003.09</b>

### Note 16 Trade Receivables

Particulars	(Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
<b><u>Trade receivables outstanding for a period more than six months from the date they are due for payments:</u></b>		
Unsecured, considered good - Others.	32.63	5.03
<b><u>Trade receivables outstanding for a period less than six months from the date they due for payments:</u></b>		
Unsecured, considered good-Isgec Heavy Engineering Ltd. (Refer Note -31.1 ('E))	513.31	19.24
Unsecured, considered good-Hitachi Zosen Corporation-(Refer Note 31.1 ('E))	13.90	3,654.36
Unsecured, considered good-Others	4,396.15	7,038.60
<b>Total</b>	<b>4,955.99</b>	<b>10,717.23</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 17 Cash and Bank Balances

Particulars	(Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
<b>a) Cash and Cash equivalents</b>		
i) Cash in hand	0.48	0.59
ii) Balance with Banks: In Current and Cash Credit Accounts	164.39	50.05
	164.87	50.65
<b>b) Other Bank Balances</b>		
(i) In Fixed Deposits Accounts (Refer Note 17.1(a) Less: Maturing after one year of Balance Sheet date (Refer Note 14)	1,343.82	720.97
	116.79	
	1,227.03	720.97
<b>Total</b>	<b>1,391.90</b>	<b>771.62</b>

### Note 17.1 Fixed Deposits With Banks

Particulars	(Rs in lacs)	
	As at 31.03.2016	As at 31.03.2015
<b>a) Under Lien</b>		
i) Maturing within 3 months from date of deposit (Classified as other bank balances)	70.47	355.58
ii) Maturing after 3 months from date of deposit but within one year of Balance Sheet date (Classified as other bank balance)	1,139.29	365.39
iii) Maturing after one year of Balance Sheet date (Classified as non current asset)	116.79	
iv) Margin Money	17.27	
	Sub Total	720.97
	<b>Total</b>	<b>720.97</b>





# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 18 Short Term Loans and Advances

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.3.2015
<b>Unsecured considered good</b>		
Loans and Advances to Employees	98.46	14.27
Balances with Government Departments and Others	1,525.43	1,888.15
Prepaid Expenses	18.51	16.96
Advance to Suppliers	480.55	1,077.47
Export incentive receivable A/c	-	189.67
<b>Total</b>	<b>2,122.95</b>	<b>3,186.53</b>

### Note 19 Other Current Assets

(Rs in lacs)

Particulars	As at 31.03.2016	As at 31.3.2015
Interest accrued but not due on Deposits	42.32	26.93
Unamortised Preliminary Expenses	11.37	11.37
<b>Others:</b>		
- Others Misc . Assets	44.98	-
<b>Total</b>	<b>98.66</b>	<b>38.29</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 20 Revenue from operations

Particulars	(Rs in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Sale of products	24,603.19	9,629.58
Export sale of Manufactured goods.	3,708.33	22,292.83
Store sale	16.32	3.56
	<b>28,327.84</b>	<b>31,925.97</b>
Less Excise Duty	1,719.33	393.57
<b>Sub Total</b>	<b>26,608.51</b>	<b>31,532.40</b>
Job work /Site work services	146.59	95.00
Receipt from other Services	10.00	10.00
Other operating revenues (Refer Note 20.2 below)	1,178.06	1,645.02
<b>Total</b>	<b>1,334.65</b>	<b>1,750.02</b>
<b>Sub Total</b>	<b>27,943.16</b>	<b>33,282.42</b>

### Note 20.1 Sale of products (net of excise duty)

Particulars	(Rs in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Heat Exchanger, Pressure Vessel, Coke Durms, Reactor etc.	26,592.19	31,528.84
<b>Total</b>	<b>26,592.19</b>	<b>31,528.84</b>

### Note 20.2 Other operating revenue

Particulars	(Rs in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Foreign exchange fluctuation gain (Net)	120.78	1,043.73
Scrap and Waste Sale {Net of excise duty (current year Rs. 44.74 Lacs and Previous year 38.63 lacs)}	364.52	318.96
Excess provision written back.	375.97	72.43
Extra claim received (Export)	306.21	-
Miscellaneous Income	10.58	20.23
Export incentive receivable	-	189.67
<b>Total</b>	<b>1,178.06</b>	<b>1,645.02</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 21 Other Income

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
<b>Interest Income</b>		
- On Bank Deposits	76.35	61.95
- Other Interest	3.31	1.65
Other Misc. Receipts	1.62	-
Insurance claim receipt	3.79	-
<b>Total</b>	<b>85.07</b>	<b>63.60</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 22 Cost of Materials, Components, Stores and Spares Consumed

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Raw Materials & Components (Refer Note 22.1 & 22.2(i))	15,980.48	14,257.92
Consumption of Stores and Spares (Refer Note 22.2(ii))	15.01	104.07
<b>Total</b>	<b>15,995.49</b>	<b>14,361.99</b>

### Note 22.1 Details of Raw Materials and Components Consumed

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Iron and Steel	6533.15	6,069.51
Components and other items issued for Jobs	9447.33	8,188.41
<b>Total</b>	<b>15,980.48</b>	<b>14,257.92</b>

### Note 22.2 Analysis of Material Consumed

(Rs in lacs)

Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
	%	Value	%	Value
<b>i) Raw Materials &amp; Components</b>				
Imported	71.43%	11,414.89	62.20%	8,868.63
Indigenous	28.57%	4,565.59	37.80%	5,389.29
<b>Total</b>	<b>100.00%</b>	<b>15,980.48</b>	<b>100.00%</b>	<b>14,257.92</b>
<b>ii) Stores &amp; Spares</b>				
Indigenous	100.00%	15.01	100.00%	104.07
<b>Total</b>	<b>100.00%</b>	<b>15.01</b>	<b>100%</b>	<b>104.07</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 23 Changes in Inventories of Finished Goods, Work - in - Progress and Stock - in - trade

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
<b>Opening stock</b>		
Work - in - Progress	8,339.98	11,923.81
<b>Total</b>	<b>8,339.98</b>	<b>11,923.81</b>
<b>Closing stock</b>		
Work - in - Progress	12,143.10	8,339.98
<b>Total</b>	<b>12,143.10</b>	<b>8,339.98</b>
<b>Net increase (-) /decrease(+)</b>	<b>(3,803.12)</b>	<b>3,583.84</b>



## Isgec Hitachi Zosen Limited

Notes on Financial Statements

### Note 24 Employees Benefits Expenses

Particulars	(Rs in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Salaries, Wages and Bonus	2,389.15	2,095.90
Contribution to Provident and other Funds	158.63	127.88
Staff Welfare Expenses	24.93	27.88
<b>Total</b>	<b>2,572.71</b>	<b>2,251.66</b>

### Note 24.1 Details of Employees Benefits Expenses

The disclosure of employee benefits as defined in Accounting Standard - 15 is given below:-

#### a) Defined Contribution Plan:

The Company has recognised, in the profit and loss account, expenses for the following Defined Contribution Plan:

Particulars	2015-16	2014-15
Provident Fund	109.44	94.23
<b>Total</b>	<b>109.44</b>	<b>94.23</b>

#### b) Defined Benefits Plan :

Description	(Rs in lacs)							
	2015-16		2014-15		2013-14		2012-13	
	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)
<b>i. Change in Present value of Obligation</b>								
a. Present Value of Obligation at the beginning of the Period	120.01	84.96	89.11	63.18	90.79	60.05	0.00	55.15
b. Interest cost	9.60	6.80	7.21	5.33	6.70	4.80	3.54	7.17
c. Current service cost	32.74	30.49	22.15	22.70	17.45	18.48	15.95	29.38
d. Benefits paid	(2.36)	(21.14)	(1.37)	(16.20)	(7.24)	(17.16)	-	(22.81)
e. Actuarial (gain) / loss	14.40	15.34	2.90	9.95	(18.58)	(2.99)	71.30	(8.83)
f. Present Value of Obligation at the end of the Period	174.39	116.45	120.01	84.96	89.11	63.18	90.79	60.05
<b>ii. Change in the Fair Value of Plan Assets</b>								
a. Fair Value of Plan Assets at the beginning of the Period	105.88	N.A.	77.73	N.A.	16.39	N.A.	-	N.A.
b. Expected Return of Plan Assets	9.26	-	7.94	-	0.72	-	-	-
c. Employer's Contributions	24.12	-	21.77	-	60.94	-	16.56	-
d. Fund Management charges LIC	3.50	-	(1.37)	-	(3.19)	-	-	-
e. Benefits paid	(2.35)	-	(0.19)	-	2.87	-	-	-
f. Actuarial Gain / (Loss) on Plan Assets	1.93	-	-	-	-	-	-	-
g. Fair Value of Plan Assets at the end of the Period	135.35	-	105.88	-	77.73	-	16.56	-



# Isgec Hitachi Zosen Limited

Notes on Financial Statements

Description	(Rs in lacs)					
	2015-16	2015-16	2014-15	2013-14	2013-14	2012-13
	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)
iii. Reconciliation of Fair Value of Assets and Obligations in Balance Sheet.						
a. Fair Value of Plan Assets at the end of the Period	135.35	--	105.88	77.73	--	0.00
b. Present Value of Obligation at the end of the Period	174.40	116.45	120.01	89.11	63.19	60.05
c. Amount recognised in the Balance Sheet	(39.05)	(116.45)	(14.13)	(11.38)	(63.19)	(60.05)
iv. Expenses reconciled in the statement of Profit & Loss						
a. Current Service Cost	32.74	30.49	22.15	9.27	9.46	29.38
b. Interest Cost	9.60	6.80	7.21	3.06	2.39	7.17
c. Expected Return on Plan Assets	(9.26)		(7.94)	(0.72)		
d. Actuarial (Gain) / Loss	12.47	15.34	3.08	0.51	0.20	(8.83)
e. Expenses recognised in the statement of Profit & Loss	45.55	52.63	24.52	12.12	12.05	27.72
v. Actuarial Assumptions						
a. Discount Rate (per annum)	7.5%	7.5%	8.0%	8.0%	8.0%	0
b. Estimated Rate of return on Plan Assets(p.a)	7.50%	0	8.75%	8.8%	0	0
c. Rate of Escalation in Salary (p.a)	6.5%	6.5%	6.5%	6.5%	6.5%	0

c) Amounts of Gratuity & Leave Encashment are as follows:

Particulars	(Rs in lacs)					
	2015-16	2015-16	2014-15	2013-14	2013-14	2012-13
	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)	Gratuity (Funded)	Leave Encashment (Non-funded)
Defined Benefit Obligation	174.40	116.45	120.01	89.11	63.19	60.05
Plan Assets	135.35	--	105.88	77.7	--	0
Surplus / (Deficit)	(39.05)	(116.45)	(14.13)	(11.38)	(63.19)	(60.05)
Experience adjustment on Plan Liabilities		(15.34)	(9.95)		(0.20)	8.83
Experience adjustment on Plan Assets						

d) Experience on actuarial Gain / (Loss) for PBO and Plan Assets.

	(Rs in lacs)	
	31/03/2014	31/03/2016
-For Earned Leave		
As on		
On Plan PBO	(0.24)	(6.58)
On Plan Assets	--	--
Net Deficit Gratuity	(3.43)	(14.21)
On Plan PBO		
On Plan Assets	2.85	1.94



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 25 Finance Costs

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Interest Expenses	658.89	620.76
Interest on External Commercial Borrowings	184.59	131.19
Bank Borrowing cost	43.80	32.24
<b>Total</b>	<b>887.28</b>	<b>784.19</b>





# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 26 Other Expenses

Particulars	(Rs in lacs)	
	Year ended 31.03.2016	Year ended 31.03.2015
Power & Fuel	742.95	1,113.58
Other Manufacturing Expenses	3,493.20	4,100.34
Lease Rent -(Note 35.1)	2,836.35	2,749.80
Repairs to:		
-Machinery	168.67	161.01
-Building	25.06	25.45
-Others	5.28	5.71
Insurance	38.34	46.73
Rates and Taxes	9.30	8.15
Swachh Bharat Cess	16.52	-
Brokerage and Commission	645.53	119.25
Bank Charges	165.20	70.83
Electricity and Water Charges	45.39	47.03
Advertisement and Business promotion expenses.	3.74	1.98
Office & Miscellaneous expenses	389.12	456.13
Preliminary Expenses written off	11.37	11.37
-Statutory audit fees	1.00	1.00
Packing, Forwarding and Transportation Expenses	1,046.75	964.22
Design & Technical Services	95.72	465.40
Travelling Expenses	340.37	266.69
Loss on Export Incentive	189.56	-
<b>Total</b>	<b>10,269.45</b>	<b>10,614.68</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 27 Current Tax

(Rs in lacs)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Current Income Tax	338.38	295.00
Minimum Alternate Tax entitlement	(338.38)	(295.00)
<b>Current Tax Balances</b>	-	-

### Note 28 Earning Per Share

In accordance with Accounting Standard (AS-20) on 'Earnings Per Share' the following table reconciles the numerator and denominator used to calculate Basic and Diluted Earnings Per Share:

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
a) Net Profit/(Loss) available to Equity Shareholders (Rs. in lacs)	1,150.38	1,129.37
b) Number of Equity Shares outstanding during the year for the purpose of calculation of Earning Per Share	100,000,000	100,000,000
c) Nominal value of Equity Shares (in Rs.)	10.00	10.00
d) Basic & Diluted Earning per Share (In Rs.)	1.15	1.13



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 29 Contingent Liabilities & Commitments.

Particular	As at	As at
	31.03.2016	31.03.2015
	(Rs in lacs)	(Rs in lacs)
<b>I Contingent Liabilities:</b> Guarantees furnished by the Bankers on behalf of the Company and counter indemnity furnished by the Company to Bankers for the same amount.	5,432.55	3,524.27
<b>II Bonds executed in favour of President of India against EPCG license and advance authorization.</b>	21,468.11	15,854.71
<b>III Other Contingent Liability</b>		
Disputed Case with Central Excise	49.56	-
Others	20.00	23.55
C/H- Form outstanding	305.56	102.51
<b>IV Letters of Credit outstanding at year end</b>	9,903.05	3,255.45

### Note 30 Segment Reporting

#### (a) Primary Segment

The Company operates in only one segment of engineering business which comprises of production and sales of Engineering Equipments, identified in accordance with principle enunciated in Accounting Standard AS-17, Segment Reporting . Hence, separate segment information is not applicable.

#### (b) Secondary Segment

The Segment Revenue in the geographical segments considered for disclosure is as follows:

- Revenue within India includes sales to customers located within India and earnings in India.
- Revenue outside India includes sales to customers located outside India and earnings outside India.

The required disclosure is as follows:-



Contd:

# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Information about Secondary Business Segments

(Rs. In Lacs)

Description	2015-16			2014-15		
	India	Outside India	Total	India	Outside India	Total
(i) Revenue by Geographical market	24,013.68	4,014.54	28,028.23	9,236.01	22,292.83	31,528.84
(ii) Carrying amount of Segment assets	27,132.95	13.90	27,146.85	23,520.95	5,971.35	29,492.30
(iii) Addition to fixed assets	750.97	-	750.97	2,824.42	-	2,824.42

### **Note 31 Related Party Transactions**

In accordance with the Accounting Standard on "Related Party Disclosures" (AS-18), the disclosures in respect of Related Parties and Transactions with them, as identified and certified by the Management, are as follows:

#### Description and Name of Related Parties

#### Name

**Holding Company**

Isgec Heavy Engineering Limited, India

**Investing Company**

Hitachi Zosen Corporation, Japan

**Entities over which Directors and their relatives can exercise significant influence**

Hitachi Zosen India Pvt. Limited

**Key Management Personnel**

Mr. Sanjay Gulati (Managing Director)

Mr. Shailesh Kumar (CFO)

Mr. Lokesh Taneja (Company Secretary)  
Resigned on 07.05.2015)

Mr. Bhupal Singh (Company Secretary)  
(Period 05.05.2015 to 08.08.2015)

Mr. Manish Dixit (Company Secretary)  
(Period 18.11.2015 to 31.03.2016)



**Isgec Hitachi Zosen Limited**  
Notes on Financial Statements

31.1 Following transactions were carried out with related parties in the ordinary course of business during the year and balances as on date 31.03.2016 : (Rs in Lacs)

Nature of Transactions	Name of Related Party	2015-2016				2014-2015			
		Holding Company	Investing /Fellow Subsidiary Company	Key Management Personnel	Total	Holding Company	Investing /Fellow Subsidiary Company	Key Management Personnel	Total
<b>A) Purchase of Goods, Services.</b>									
Purchase of Goods	Isgec Heavy Engineering Ltd	166.27		-	166.27	81.42	-	-	81.42
	Hitachi Zosen Corporation		2,050.09	-	2,050.09	-	2,330.59	-	2,330.59
Capital Goods	Isgec Heavy Engineering Ltd	1.27							
	Hitachi Zosen Corporation		254.35						
<b>Purchase of Goods Total</b>		<b>167.54</b>	<b>2,304.45</b>	<b>-</b>	<b>2,216.36</b>	<b>81.42</b>	<b>2,330.59</b>	<b>-</b>	<b>2,412.01</b>
<b>B) Service Received</b>									
	Isgec Heavy Engineering Ltd	602.65		-	602.65	43.16	-	-	43.16
	Hitachi Zosen Corporation		73.14	-	73.14	-	496.56	-	496.56
<b>Services Received Total</b>		<b>602.65</b>	<b>73.14</b>		<b>675.79</b>	<b>43.16</b>	<b>496.56</b>		<b>539.72</b>
<b>C) Sale of Goods, Services.</b>									
Sale of Goods	Isgec Heavy Engineering Ltd	732.97		-	732.97	318.84	-	-	318.84
	Hitachi Zosen Corporation		4,027.66	-	4,027.66	-	19,430.87	-	19,430.87
<b>Sale of Goods Total</b>		<b>732.97</b>	<b>4,027.66</b>		<b>4,760.63</b>	<b>318.84</b>	<b>19,430.87</b>		<b>19,749.71</b>



**Isgec Hitachi Zosen Limited**

**Notes on Financial Statements**

(Rs in Lacs)

Nature of Transactions	Name of Related Party	Holding Company	Investing /Fellow Subsidiary Company	Key Management Personnel	Total	Holding Company	Investing /Fellow Subsidiary Company	Key Management Personnel	Total	Key Management Personnel	Total
Service Rendered	Isgec Heavy Engineering Ltd.	35.89	-	-	35.89	95.00	-	-	95.00	-	95.00
Services Rendered Total		35.89	-	-	35.89	95.00	-	-	95.00	-	95.00
Sale of Goods & Services Total		768.86	4,027.66	-	4,796.52	413.84	19,430.87	-	19,844.71	-	19,844.71
D) Rent Paid											
Lease Rent Paid	Isgec Heavy Engineering Ltd	2,836.35	-	-	2,836.35	2,749.80	-	-	2,749.80	-	2,749.80
Rent Paid Total		2,836.35			2,836.35	2,749.80			2,749.80		2,749.80
E) Amount Receivable											
Trade Receivables	Isgec Heavy Engineering Ltd	513.31		-	513.31	19.24		-	19.24	-	19.24
	Hitachi Zosen Corporation		13.90	-	13.90		3,654.36	-	3,654.36	-	3,654.36
Other receivable	Isgec Heavy Engineering Ltd	3.52			3.52						
Amount Receivable Total		516.84	13.90	-	530.73	19.24	3,654.36	-	3,673.61	-	3,673.61
F) Amount Payable											
Payables	Isgec Heavy Engineering Ltd	233.82	-	-	233.82	38.93	-	-	38.93	-	38.93
Payables (Refer Note 7)	Hitachi Zosen Corporation	-	530.66	-	530.66	-	642.10	-	642.10	-	642.10
Amount Payable Total		233.82	530.66	-	764.48	38.93	642.10	-	681.03	-	681.03
G) Advance received from customers.											
Other Current Liabilities	Isgec Heavy Engineering Ltd	138.74	-	-	138.74						
Other Current Liabilities	Hitachi Zosen Corporation	-	5,195.92	-	5,195.92	-	2,893.71	-	2,893.71	-	2,893.71
Total Advance received from customers.		138.74	5,195.92	-	5,334.67	-	2,893.71	-	2,893.71	-	2,893.71
H) Managerial Remuneration	Managing Director	-	-	59.92	59.92	-	-	-	50.49	-	50.49
Remuneration to Key Managerial personnel	Chief Financial Officer			15.26	15.26				11.02		11.02
	Company Secretary			5.95	5.95				7.53		7.53



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

(Rs in Lacs)

Note 32	Lease Rent Charges	2015-2016	2014-2015
32.1	The Company has taken equipments, plant & machinery and other movable assets under non cancellable operating lease in accordance with Accounting standard (AS-19) on 'leases', the lease rent charged to statement of profit and loss for the year:	2,836.35	2,749.80
32.2	The Company has taken equipments, plant & machinery and other movable assets under non cancellable operating lease. In accordance with Accounting standards (AS-19) on 'leases disclosure' of the future minimum lease rent to be paid under non cancellable operating leases in the aggregate and for each of the following periods.		
	Future minimum lease payments		
	a) not later than one year	2,835.00	2,830.00
	b) later than one year and not later than five years	11,340.00	11,320.00
	c) later than five years	2,835.00	5,660.00
	<b>Total</b>	<b>17,010.00</b>	<b>19,810.00</b>

(Rs in Lacs)

Note 33	Value of Imports on C.I.F. Basis:	2015-2016	2014-2015
	Raw Materials	9,229.42	6,827.47
	Components & Consumables	1,618.97	227.26
	Capital Goods	415.66	274.01
	<b>Total</b>	<b>11,264.05</b>	<b>7,328.74</b>

Note 34	Earnings in Foreign Exchange:		
	Export of Goods & Services on F.O.B basis	4,041.63	22,002.69

Note 35	Expenditure in Foreign Currency (Accrual Basis)		
	Travelling Expenses	140.16	7.48
	Consultancy/Technical services	94.82	498.89
	Brokerage and Commission.	-	106.01
	ECB Loan interest	58.28	61.91
	Others	0.52	27.03
	<b>Total</b>	<b>293.79</b>	<b>701.32</b>



# Isgec Hitachi Zosen Limited

## Notes on Financial Statements

### Note 36 Dividend paid in foreign currency

Particulars	(Rs in lacs)	
	2015-16	2014-15
Dividend Paid in foreign currency	Nil	Nil
No. of Equity Shares held by Non Resident Shareholders including nominees	49,000,000.00	49,000,000.00
No. of Non Resident Shareholders including nominees	4	4

### Note 37 Foreign Currency Exposures :

The Company had entered into swaps/forward contracts which are not intended for trading or speculative purposes but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

Particular	As at	As at
	31.03.2016 (Rs in lacs)	31.03.2015 (Rs in lacs)
a) The particulars of forward contracts entered into hedging purpose outstanding as at year end are as under:		
- For receivables	13.90	5,898.21
- For Loans.	1,390.05	1,853.40
- For payable to Suppliers	476.74	579.86
b) Unhedged foreign currency exposures as at year end are as under:		
- Payables for Supplier/Service	63.78	111.23
- Receivable from customers	-	669.84

**Note 38** Previous year figures have been regrouped/recast wherever considered necessary to confirm to current year classification.

**Note 39** During the year, Company has not provided any loan and advances in the nature of loan to firms/companies in which directors are interested.

**Note 40** One Store building costing Rs. 31.15 Lacs has been constructed on lease hold property of Isgec Heavy Engineering Limited (Holding Company) and depreciation on the building has been charged as per Schedule II of Companies Act, 2013, by considering that the lease agreement is a renewable contract.





# Isgec Hitachi Zosen Limited

## Notes to the Financial Statements as at and for the year ended 31st March 2016

### Note 41. Overview

ISGEC Hitachi Zosen Limited (the 'Company') is a heavy engineering Company and is engaged in manufacturing of all types of Industrial Pressure Vessels, Heat Exchanger, Reactors (excluding nuclear reactors), Boilers and related Critical Equipment for Customers in India and abroad having principal place of business at 13 B, Dahej GIDC, Tal-Vagra, District Bharuch, Gujarat (India)

### Note 42. Significant Accounting Policies

#### i) Basis of Preparation of Financial Statements

The financial statements of the Company are prepared under the historical cost convention and in accordance with applicable Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 2013. The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis to the extent measurable and where there is certainty of ultimate realisation in respect of income. Accounting policies not specifically referred to otherwise, are consistent and in consonance with the generally accepted accounting principles.

#### ii) Preliminary Expenses

All expenses prior to commencement of commercial operations are aggregated as preliminary expenses. These are to be amortized and over a period of 5 financial years on commencement of commercial operations.

#### iii) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognised in the period in which the results are known.



## Isgec Hitachi Zosen Limited

### iv) Inventories

Raw Materials, Stores & Spares are valued at lower of weighted average cost or net realisable value. However items held for use in the production are not valued below cost if the finished goods in which these will be incorporated are expected to be sold at or above cost.

Work-in-Progress and Finished Goods are valued at lower of cost or net realisable value.

Cost in case of finished goods and work-in-progress includes material cost and applicable direct manufacturing and administrative overheads. Value of finished stock is inclusive of excise duty (if any).

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

### v) Fixed Assets

#### a) Tangible Assets.

Tangible assets are stated at their cost less accumulated depreciation and accumulated impairment, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use and is net of recoverable duties. Capital spares directly attributable to the fixed assets are capitalised with the related assets.

#### b) Intangible Assets

Intangible assets are recognised on the basis of recognition criteria specified in Accounting Standard AS-26.

Costs incurred on acquisition of specialised software & technical know how are capitalised.

Intangible assets are stated at cost of acquisition less accumulated amortisation and accumulated impairment losses, if any.

### vi) Depreciation and Amortization

Depreciation is provided on fixed assets at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013 as per Written down Value method except in respect of certain Plant & machinery which are depreciated as per Straight Line method. Capital Spares directly attributable to the specific fixed assets are depreciated with the cost of the assets.

Assets costing not more than Rs.5,000/- are fully depreciated in the year of their acquisition. Intangible assets are amortised over a period not exceeding ten years on a straight line basis as per Accounting Standard – 26 on Intangible Assets.

### vii) Revenue Recognition

Revenue is recognised in case of traded & manufactured products on despatch of goods from the factory/other locations when substantial risks & rewards of ownership are transferred to the buyer.



## Isgec Hitachi Zosen Limited

Revenue in case of erection & commissioning jobs carried out is recognised on stage of completion as per the terms of related agreements / job orders.

Insurance Claims, export incentives, escalation, etc. are accounted for as and when the estimated amounts recoverable can be reasonably determined as being acceptable to the concerned authorities / parties.

Interest income is recognised on a time proportion basis taking into account the amounts outstanding and the rate applicable.

### viii) Foreign Currency Transactions

a) Initial Recognition

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

b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) Exchange Differences

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, are recognized as income or as expenses in the year in which they arise.

### ix) Employee Benefits

As per AS-15 notified by Companies (Accounting Standards) Rules, 2006, (as amended) the provision for employee benefits is charged on accrual basis as under:

a) Provident Fund

The contributions are deposited in the Recognized Provident Fund accounts operated by the Regional Provident Fund Commissioner under the Employees Provident Fund and Miscellaneous Provisions Act 1952, on the basis of services rendered by the employees and is expensed as and when incurred.

b) Gratuity

The Company operates a Gratuity Fund Trust which in turn has taken Group Gratuity cum Life Assurance policy with the Life Insurance Corporation of India for all the employees. Provision for liability on account of gratuity being defined benefit plan, is determined as per actuarial valuation and charged to statement of Profit & Loss.

c) Leave Encashment

Provision for leave encashment is made in respect of eligible employees as per actuarial valuation done at the balance sheet date.



## Isgec Hitachi Zosen Limited

d) Pension

Liability on account of pension payable to employees transferred from ISGEC Heavy Engineering Limited covered under that Company's erstwhile pension scheme has been accounted for on accrual basis.

x) Leases

The Company has taken Equipments, Plant and machinery and other movable assets under non-cancellable operating lease and payment made for the same is charged to statement of Profit and Loss Account. Payments made under for other assets are charged to statement of Profit & Loss as per respective lease agreements.

xi) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

xii) Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

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

xiii) Taxation

Tax Expense/ (Tax Saving) is the aggregate of current year tax and deferred tax charged (or credited) to the statement of Profit and Loss for the year in accordance with Accounting Standard- 22- "Accounting for Taxes on Income" notified by Companies (Accounting Standards) Rules, 2006 and measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

a) Current Year Charge

The provision for taxation is based on assessable profits (if any) of the Company as determined under the Income Tax Act, 1961.

b) Deferred Tax

In accordance with Accounting Standard AS-22 "Accounting for Taxes on Income" notified by Companies (Accounting Standards) Rules, 2006, (as amended), deferred taxes resulting from timing differences between book and tax profits/loss are accounted for at tax rate to the extent



## **Isgec Hitachi Zosen Limited**

the timing difference are expected to be crystallised. Deferred tax assets on account of unabsorbed losses & unabsorbed depreciation are recognised to the extent there is virtual certainty of realising such assets against future taxable income.

### **xiv) Impairment of Assets:**

- a) As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine
  - i) the provision for impairment loss, if any, required or
  - ii) the reversal, if any, required of impairment loss recognised in previous periods.
- b) Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount which is determined
  - i) in the case of an individual asset, at the higher of the net selling price and the value in use.
  - ii) in the case of a cash generating unit (a group of assets that generates identified independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.
- c) Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset/cash generating unit and from its disposal at the end of its useful life.

### **xv) Provisions, Contingent Liabilities & Contingent Assets**

#### a) Provisions

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- i) the Company has a present obligation as a result of a past event,
- ii) a probable outflow of resources is expected to settle the obligation and
- iii) the amount of the obligation can be reliably estimated.

#### b) Contingent Liabilities

Contingent Liability is disclosed in the case of

- i) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation
- ii) a possible obligation, unless the probability of outflow of resources is remote.

c) Contingent Assets: Contingent Assets are neither recognised, nor disclosed.

d) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.



# Isgec Hitachi Zosen Limited

## xvi) Cash and Cash Equivalents

Cash and Cash Equivalents for the purposes of cash flow statement comprise cash at bank and in hand and fixed deposits with banks.

As per our report of even date.

For S.S. Kothari Mehta & Co.  
Chartered Accountants  
Firm Registration No.000756N

  
**CA.K.K. Tulshan**  
Partner  
M.No.085033



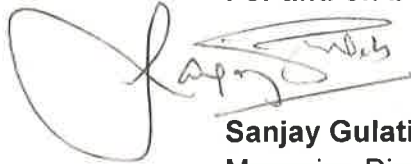
  
**Shallesh Kumar**  
Manager & CFO

  
**Aasha Rani**  
Company Secretary  
M.No.A39007

  
**Brajesh Kr. Rai**  
Chief Operating Officer

Place: *New Delhi*  
Dated : *9th May 2016*

For and on behalf of the Board of Directors



**Sanjay Gulati**  
Managing Director  
DIN: 05201178



**Hideaki Horiuchi**  
Director  
DIN: 07033748