# KHANDELWAL JAIN & CO.
CHARTERED ACCOUNTANTS

BRANCH OFFICE :
GF- 8 & 9, HANS BHAWAN
1, BAHADUR SHAH ZAFAR MARG,
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## INDEPENDENT AUDITOR'S REPORT

To the Members of
**DRAGONWAVE HFCL INDIA PRIVATE LIMITED**

### Report on the Audit of the Standalone Financial Statements

1. **Opinion**

We have audited the accompanying Ind AS Financial Statements of **DRAGONWAVE HFCL INDIA PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 March 31, 2021, the loss and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

2. **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

5. **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

6. **Report on Other Legal and Regulatory Requirements**

A. 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 Companies Act, 2013, we give in the Annexure-A a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

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

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

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with relevant rules issued thereunder.

e) On the basis of the written representations received from the directors as on 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

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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 the requirements of section 197(16) of the Act, as amended:
In our opinion and to the best of our information and according to the explanation given to us, the provisions of section 197 read with schedule V of the Act are not applicable to the Company.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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, if any, of pending litigations on its financial position in its financial statements;

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

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

**For Khandelwal Jain & Co.**
**Chartered Accountants**
**Firm Registration No: 105049W**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**Manish Kumar Singhal**
**Partner**
**Membership No. 502570**
**UDIN: 21502570AAAAAZ4312**

**Place: New Delhi**
**Date: 07th May, 2021**

# KHANDELWAL JAIN & CO.

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## ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

Annexure referred to in paragraph 6A of Report on Other Legal and Regulatory Requirements of the Independent Auditors' Report of even date to the Members of **DragonWave HFCL India Private Limited** on the Ind AS financial statements for the year ended 31st March, 2021, we report that;

I. **(a)** The Company is maintaining proper records showing full particulars, including quantitative details and situations of its Fixed Assets.

**(b)** Fixed assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and as informed, no material discrepancies were noticed on such verification.

**(c)** According to the information and explanation given by the management, there are no immovable properties included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

II. According to the information and explanation given by the management, the Company's business did not involve holding of inventory. Accordingly, requirements under paragraph 3(ii) of the Order are not applicable to the Company.

III. As per the information furnished, the Company has not granted any loans, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, paragraphs 3(iii) (b) and (c) of the Order are not applicable.

IV. In our opinion and according to the information and explanations given to us, the Company has, in respect of loans, investments, guarantees, and security, where applicable, complied with the provisions of section 185 and 186 of the Companies Act, 2013.

V. According to the information and explanation given to us, the Company has not accepted any deposits within the meaning of the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under .Hence provision of clause- 3(v) are not applicable to the Company.

VI. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 148 (1) of the Companies Act, 2013 for the products of the Company.

VII. (a) According to the information and explanations given to us and records examined by us, the Company is generally regular in depositing, with the appropriate authorities, undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, custom duty, cess and other material statutory dues wherever applicable. According to information and explanation given to us, and as per the records examined by us, no undisputed arrears of statutory dues outstanding as at 31st March, 2021 for a period of more than six months from the date they became payable.

(b)According to the information and explanation given to us and records examined by us, there are no dues of income tax, goods and service tax, custom duty & cess or any other statutory dues which have not been deposited on account of any dispute.

VIII. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause 3 (viii) of the Order is not applicable to the Company.

**IX.** Based on our examinations of the records and information given to us, no money was raised by way of initial public offer or further public offer (including debt instruments) and no term loan has been taken during the year by the Company.

**X.** To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**XI.** According to the information and explanation given to us, the provision of section 197 read with Schedule V of the Act are not applicable to the Company and hence report under paragraph 3(xi) of the Order is not applicable.

**XII.** The Company is not a Nidhi Company .Accordingly, paragraphs 3(xii) of the order is not applicable.

**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 Companies Act, 2013 where applicable and details of such transactions have been disclosed in the Ind AS Financial Statements as required by the applicable accounting standards.

**XIV.** According to information and explanations given to us, the Company during the year has not made any preferential allotment as private placement of shares or fully or partly convertible debentures. Accordingly, paragraph 3(xiv) is not applicable.

**XV.** According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transaction with directors or persons connected with him and hence provision of clause 3(xv) are not applicable to the company.

**XVI.** The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and hence the provision of clause 3(xvi) are not applicable to the company.

**For Khandelwal Jain & Co.**
Chartered Accountants
Firm Registration No: 105049W

KHANDELWAL JAIN & CO. * NEW DELHI * Chartered Accountants

**Manish Kumar Singhal**
**Partner**
**Membership No. 502570**
UDIN: **21502570AAAAAZ4312**

Place: New Delhi
Date: 07th May, 2021

# KHANDELWAL JAIN & CO.

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## ANNEXURE "B" TO THE INDEPENDENT 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")**

**To the Members of**
**DragonWave HFCL India Private Limited**

We have audited the internal financial controls over financial reporting of **DragonWave HFCL India Private Limited** ("the Company") as of March 31, 2021 in conjunction with our audit of the Ind AS 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 control 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 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 were 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 control 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 judgment, 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.

KHANDELWAL JAIN NEW DELHI Chartered Accountants

**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 Ind AS 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, 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 Ind AS financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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, 2021, 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 KHANDELWAL JAIN & CO.**
**Chartered Accountants**
**Firm Registration No. 105049W**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**Manish Kumar Singhal**
**Partner**
**Membership No. 502570**
**UDIN: 21502570AAAAAZ4312**

Place: New Delhi
Date: 07th May, 2021

**Dragonwave HFCL India Private Limited- Financial Statements**
**(CIN: U64200DL2010PTC211117)**
*(All amounts are in Rs.)*
**Balance Sheet as at March 31, 2021**

| Particulars | Note No. | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non Current Assets** | | | |
| a) Property, Plant & Equipment | 4 | 4,00,140 | 6,91,330 |
| (b) Right-of-use assets | 5 | 18,45,157 | 33,21,283 |
| (c) Other Intangible assets | 6 | 6,532 | 98,513 |
| (d) Financial Assets | | | |
| (i) Loan Receivables | 7 | 6,50,00,000 | 6,50,00,000 |
| d) Deferred tax Asset (net) | 8 | 3,27,945 | 11,63,380 |
| **Total Non-current Assets** | | **6,75,79,774** | **7,02,74,506** |
| **Current Assets** | | | |
| (a) Financial Assets | | | |
| (i) Trade Receivables | 9 | 7,27,051 | 74,40,077 |
| (ii) Cash & Cash Equivalents | 10 | 5,57,738 | 38,16,569 |
| (iii) Bank balances other than (ii) above | 11 | - | - |
| (iv) Others | 12 | 67,57,315 | 22,26,144 |
| (b) Current Tax Assets (Net) | 13 | 4,23,787 | 68,85,375 |
| (c) Other current assets | 14 | 12,62,813 | 26,71,217 |
| **Total Current Assets** | | **97,28,704** | **2,30,39,382** |
| **Total Assets** | | **7,73,08,478** | **9,33,13,888** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| (a) Equity Share Capital | 15 | 7,00,00,000 | 7,00,00,000 |
| (b) Other Equity | 16 | 13,86,485 | 89,12,834 |
| **Total Equity** | | **7,13,86,485** | **7,89,12,834** |
| **Liabilities** | | | |
| **Non Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Lease Liabilities | 5 | 4,52,143 | 21,32,566 |
| (b) Provisions | 17 | - | 29,39,925 |
| **Total Non-current Liabilities** | | **4,52,143** | **50,72,491** |
| **Current Liabilities** | | | |
| (a) Financial Liabilities | | | |
| (i) Trade Payables | 18 | | |
| (a) total outstanding dues of micro enterprises and small enterprises | | - | - |
| (b) total outstanding dues of creditors other than micro enterprises and small enterprises | | 74,811 | 10,99,973 |
| (ii) Lease Liabilities | 5 | 16,80,423 | 14,42,171 |
| (iii) Others | 19 | 36,92,223 | 40,29,426 |
| (b) Other current liabilities | 20 | 22,393 | 21,34,588 |
| (c) Provisions | 21 | - | 6,22,405 |
| **Total Current Liabilities** | | **54,69,850** | **93,28,563** |
| **Total Liabilities** | | **59,21,993** | **1,44,01,054** |
| **Total Equity and Liabilities** | | **7,73,08,478** | **9,33,13,888** |

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

**For Khandelwal Jain & Co.**
**Chartered Accountants**
**Firm Reg. No.: 105049W**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**Manish Kumar Singhal**
Partner
M.No.: 502570

New Delhi
07-05-2021

**For and on behalf of the Board**

**Jitendra Chaudhary**
Director
DIN : 01709943

**Subodh Kumar Garg**
Director
DIN : 00550825

**Dragonwave HFCL India Private Limited- Financial Statements**
**(CIN: U64200DL2010PTC211117)**
**(All amounts are in Rs.)**
**Statement of Profit and Loss for the year ended March 31, 2021**

| | Particulars | Note No. | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|---|---|
| I. | **INCOME** | | | |
| | Revenue from operations | 22 | - | 79,03,620 |
| | Other Income | 23 | 62,96,958 | 41,09,995 |
| | **Total Revenue (I)** | | **62,96,958** | **1,20,13,615** |
| II. | **EXPENSE** | | | |
| | Other Direct cost | 24 | 4,26,615 | 55,68,293 |
| | Employee benefits expense | 25 | 36,08,257 | 2,29,64,755 |
| | Finance Cost | 26 | 3,84,066 | 5,99,418 |
| | Depreciation | 4,5&6 | 18,59,297 | 22,14,678 |
| | Other Expenses | 27 | 28,62,181 | 1,22,17,602 |
| | **Total Expenses (II)** | | **91,40,416** | **4,35,64,746** |
| III | **Profit / (loss) before exceptional items and income tax (I-II)** | | **(28,43,458)** | **(3,15,51,131)** |
| IV | Exceptional item (net of tax) | | - | - |
| V | **Profit / (Loss) before tax (III - IV)** | | **(28,43,458)** | **(3,15,51,131)** |
| VI | **Tax expense** | | | |
| | Current tax | | - | - |
| | Deferred tax | | 8,35,436 | 4,02,842 |
| | Income Tax for earlier years | | (34,77,970) | - |
| VII | **Profit/(loss) for the year (V-VI)** | | **(71,56,864)** | **(3,11,48,289)** |
| VIII | **Other Comprehensive Income** | | | |
| | A.) Items that will not be reclassified to profit or loss | | | |
| | (i) remeasurement of defined benefit plans; | | (3,69,484) | (2,17,972) |
| | **Other comprehensive income for the year after tax (VIII)** | | **(3,69,484)** | **(2,17,972)** |
| IX | **Total comprehensive income for the year (VII+VIII)** | | **(75,26,348)** | **(3,13,66,261)** |
| | **Earnings per equity share** | 28 | | |
| | Basic | | (1.02) | (4.45) |
| | Diluted | | (1.02) | (4.45) |

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

**For Khandelwal Jain & Co.**
**Chartered Accountants**
**Firm Reg. No.: 105049W**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**Manish Kumar Singhal**
Partner
M.No.: 502570

New Delhi
07-05-2021

**For and on behalf of the Board**

**Jitendra Chaudhary**
Director
DIN : 01709943

**Subodh Kumar Garg**
Director
DIN : 00550825

**Dragonwave HFCL India Private Limited- Financial Statements**
**(CIN: U64200DL2010PTC211117)**
**(All amounts are in Rs.)**
**Statement of Cash Flow for the year ended 31 March, 2021**

| Particulars | | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|---|
| I. | **Cash Flow From Operating Activities** | | |
| | Total Comprehensive Income | (28,43,458) | (3,15,51,131) |
| | **Adjustments for** | | |
| | Depreciation and Amortization expenses | 18,59,297 | 22,14,678 |
| | Profit on sale of Fixed Assets | - | - |
| | Other Comprehensive Income | (3,69,484) | (2,17,972) |
| | Provision for Doubtful Debts | - | 41,86,763 |
| | Excess Provisiton written back | (1,73,651) | |
| | Interest income classified as investing cash flows | (61,23,307) | (40,55,317) |
| | Finance costs | 3,83,222 | 5,98,896 |
| | **Operating cash flow before changes in working capital** | **(72,67,381)** | **(2,88,24,084)** |
| | **Change in operating assets and liabilities** | | |
| | (Increase)/Decrease in trade receivables | 68,86,677 | 1,28,61,859 |
| | Increase/(Decrease) in trade payables | (10,25,162) | (8,16,410) |
| | (Increase)/Decrease in other financial assets | 5,79,454 | (3,61,268) |
| | (Increase)/decrease in other current assets | 78,69,992 | (10,48,854) |
| | Increase/(decrease) in provisions | (35,62,330) | 10,93,119 |
| | Increase/(Decrease) in other financial liabilities | (98,951) | 15,08,988 |
| | Increase/(Decrease) in other current liabilities | (21,12,195) | 13,66,363 |
| | **Net Cash generated from operations before tax** | **12,70,105** | **(1,42,20,287)** |
| | Income taxes paid | (34,77,970) | (17,36,187) |
| | **Net Cash from/(used) in Operating Activites** | **(22,07,866)** | **(1,59,56,474)** |
| II | **Cash flows from investing activities** | | |
| | (Payments)/Proceeds for property, plant and equipment | | (3,01,342) |
| | Loans to Body Corporates | | (6,50,00,000) |
| | (Increase)/decrease in Fixed deposit with Banks | | 2,00,00,000 |
| | Interest received | **10,12,682** | 32,04,679 |
| | **Net cash outflow from investing activities** | **10,12,682** | **(4,20,96,663)** |
| III | **Cash flows from financing activities** | | |
| | Payment of Lease Liabilities | (16,80,423) | (16,27,500) |
| | Interest Paid | (3,83,222) | - |
| | **Net cash inflow (outflow) from financing activities** | **(20,63,647)** | **(16,27,500)** |
| IV | **Net increase (decrease) in cash and cash equivalents(I+II+III)** | **(32,58,831)** | **(5,96,80,637)** |
| V | Cash and cash equivalents at the beginning of the financial year | 38,16,569 | 6,34,97,205 |
| VI | **Cash and cash equivalents at end of the year (IV+V)** | **5,57,738** | **38,16,569** |

**Notes :**

1 The above cash flow has been prepared under the "Indirect Method" as set out in Accounting Standard-7." Statement of Cash Flows".

2 Figures in brackets represents cash outflows

3 Componenets of cash and cash equivalents

| Particulars | March 31, 2021 | March 31, 2020 |
|---|---|---|
| Cash on Hand | 7,600 | 3,300 |
| Balance with banks in current a/c | 5,50,138 | 38,13,269 |
| **Balances per Statement of Cash Flows** | **5,57,738** | **38,16,569** |

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

**For Khandelwal Jain & Co.**
**Chartered Accountants**
**Firm Reg. No.: 105049W**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**Manish Kumar Singhal**
Partner
M.No.: 502570

New Delhi
07-05-2021

**For and on behalf of the Board**

**Jitendra Chaudhary**
Director
DIN : 01709943

**Subodh Kumar Garg**
Director
DIN : 00550825

**Dragonwave HFCL India Private Limited- Financial Statements**
**(CIN: U64200DL2010PTC211117)**
**(All amounts are in Rs.)**
Statement of Changes in Equity for the year ended 31st March, 2021

**Equity Share Capital**

(Figures in Rs.)

| Particulars | | | No. of Shares | Amount |
|---|---|---|---|---|
| **As at March 31, 2019** | | | 70,00,000 | 7,00,00,000 |
| Changes in equity share capital | | | - | - |
| **As at March 31, 2020** | | | 70,00,000 | 7,00,00,000 |
| Changes in equity share capital | | | - | - |
| **As at March 31, 2021** | | | 70,00,000 | 7,00,00,000 |

**Other equity**

(Figures in Rs.)

| Particulars | Equity Share Capital | | Reserves and Surplus | Othe Comprehensive Income | Total |
|---|---|---|---|---|---|
| | No of Shares | Amount | Retained Earnings | Remeasurement of defined benefit plans | |
| **Balance as at March 31, 2019** | 70,00,000 | 7,00,00,000 | 4,07,97,493 | (5,18,397) | 11,02,79,096 |
| Changes in accounting Policy or prior period errors | - | - | - | - | - |
| Restated balance at the beginning of the reporting period | - | - | - | - | - |
| **Total Comprehensive Income for the year** | - | - | (3,11,48,289) | (2,17,972) | **(3,13,66,261)** |
| **Balance as at March 31, 2020** | 70,00,000 | 7,00,00,000 | 96,49,203 | (7,36,369) | 7,89,12,834 |
| Changes in accounting Policy or prior period errors | - | - | - | - | - |
| Restated balance at the beginning of the reporting period | - | - | - | - | - |
| **Total Comprehensive Income for the year** | - | - | (71,56,864) | (3,69,484) | (75,26,348) |
| **Balance as at March 31, 2021** | 70,00,000 | 7,00,00,000 | 24,92,339 | (11,05,853) | 7,13,86,486 |

For Khandelwal Jain & Co.
Chartered Accountants
Firm Reg. No.: 105049W

Manish Kumar Singhal
Partner
M.No.: 502570

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

Place : New Delhi
Date: 07/05/2021

For and on behalf of the Board

Jitendra Chaudhary
Director
DIN : 01709943

Subodh Kumar Garg
Director
DIN : 00550825

## 4 Property, Plant and equipment & Capital Work-in-Progress

| Particulars | Computers | Office Equipments | Furniture and Fixtures | Plant and Machinery | Vehicle | Total |
|---|---|---|---|---|---|---|
| **As at March 31, 2019** | **40,95,984** | **9,40,377** | **3,67,902** | **7,69,413** | - | **61,73,676** |
| Additions | 3,01,342 | - | - | - | - | **3,01,342** |
| Disposals / Adjustments | - | - | - | - | - | - |
| **As at March 31, 2020** | **43,97,326** | **9,40,377** | **3,67,902** | **7,69,413** | - | **64,75,018** |
| Additions | - | - | - | - | | - |
| Disposals / Adjustments | - | - | - | - | - | - |
| **As at March 31, 2021** | **43,97,326** | **9,40,377** | **3,67,902** | **7,69,413** | - | **64,75,018** |
| **Accumulated depreciation and impairment** | **Computers** | **Office Equipments** | **Furniture and Fixtures** | **Plant and Machinery** | **Vehicle** | **Total** |
| **As at March 31, 2019** | **39,33,188** | **8,48,973** | **2,55,335** | **4,25,152** | - | **54,62,648** |
| Depreciation for the year | 1,77,624 | 51,710 | 29,224 | 62,482 | - | **3,21,040** |
| Disposals / Adjustments | - | - | - | - | - | - |
| **As at March 31, 2020** | **41,10,812** | **9,00,683** | **2,84,559** | **4,87,634** | - | **57,83,688** |
| Depreciation for the year | **1,82,145** | **36,466** | **21,578** | **51,002** | - | **2,91,190** |
| Disposals / Adjustments | - | - | - | - | - | - |
| **As at March 31, 2021** | **42,92,957** | **9,37,148** | **3,06,136** | **5,38,636** | - | **60,74,878** |
| **Net Carrying Value** | **Computers** | **Office Equipments** | **Furniture and Fixtures** | **Plant and Machinery** | **Vehicle** | **Total** |
| As at March 31,2019 | 1,62,796 | 91,404 | 1,12,567 | 3,44,261 | - | 7,11,028 |
| As at March 31, 2020 | 2,86,514 | 39,694 | 83,343 | 2,81,779 | - | 6,91,330 |
| As at March 31, 2021 | 1,04,369 | 3,229 | 61,766 | 2,30,777 | - | 4,00,140 |

**1. Significant estimate: Useful life of tangible assets**

The Company has estimated the useful life of the tangible assets based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than the life taken, depending on technical innovations and competitor actions.

KHANDELWAL JAIN & CO. * Chartered Accountants * NEW DELHI

Dragonwave HFCL India Private Limited- Financial Statements
(All amounts are in Rs.)
Notes to Financial Statements for the Year ended March 31, 2021

5 Following are the changes in the carrying value of right of use assets for the year ended March 31, 2021:

| Particulars | Building | Total |
|---|---|---|
| **As at March 31, 2019** | - | - |
| **Additions** | | |
| Transition impact on account of adoption of Ind AS 116 "Leases" | 47,97,409 | **47,97,409** |
| **Deletion** | | |
| Depreciation | 14,76,126 | 14,76,126 |
| **As at March 31, 2020** | **33,21,283** | **33,21,283** |
| **Additions** | - | - |
| **Deletion** | - | - |
| Depreciation | 14,76,126 | 14,76,126 |
| **As at March 31, 2021** | **18,45,157** | **18,45,157** |

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The following is the break-up of current and non-current lease liabilities as at March 31, 2021

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Current Lease Liabilities | 16,80,423 | 14,42,171 |
| Non-current Lease Liabilities | 4,52,143 | 21,32,566 |
| **Total** | **21,32,566** | **35,74,738** |

**The following is the movement in lease liabilities during the year ended March 31, 2021:**

| Particulars | | |
|---|---|---|
| **As at March 31, 2019** | | |
| Additions | | 47,97,409 |
| Finance cost accrued during the period | | 4,04,829 |
| Deletions | | |
| Payment of lease liabilities | | 16,27,500 |
| **As at March 31, 2020** | - | **35,74,738** |
| **Additions** | | - |
| Finance cost accrued during the period | | **2,73,594** |
| **Deletions** | | |
| Payment of lease liabilities | | **17,15,766** |
| **As at Mar 31, 2021** | | **21,32,566** |

Note :
The Company does not face a significant liquidity risk with regard to its lease liabilites as the current assests are sufficient to meet the obligation related to lease liabilities as and when they fall due

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NEW DELHI
Chartered Accountants

Dragonwave HFCL India Private Limited- Financial Statements
(All amounts are in Rs.)
Notes to Financial Statements for the Year ended March 31, 2021

6 Intangible Assets

| Particulars | As at Mar 31, 2021 | | As at Mar 31, 2020 | |
|---|---|---|---|---|
| **Application software** | | | | |
| **Gross carrying value** | | | | |
| Opening balance | 34,71,252 | | 34,71,252 | |
| Additions during the year | - | | - | |
| Disposals/ adjustments / transfer | - | 34,71,252 | - | 34,71,252 |
| **Less:Accumulated amortisation and impairment** | | | | |
| **Accumulated amortization** | | | | |
| Opening balance | 33,72,739 | | 29,55,226 | |
| Additions during the year | 91,981 | | 4,17,513 | |
| Disposal / adjustment / transfer | - | 34,64,720 | - | 33,72,739 |
| **Impairment** | | | | |
| Opening Balance | | | | |
| Additions during the year | | | | |
| Disposal / adjustment / transfer | | | | |
| **Net Carrying value** | | **6,532** | | **98,513** |

1. **Significant estimate: Useful life of intangible assets**
The Group estimates the useful life of the software to be 5 years based on the expected technical obsolescence of such assets. However, the actual useful life may be shorter or longer than 5 years, depending on technical innovations and competitor actions.

**7 Financial Assets - Loan Receivable** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Considered Good; | | |
| Loans and Advances to Body Corporate | 6,50,00,000 | 6,50,00,000 |
| **Total** | **6,50,00,000** | **6,50,00,000** |
| **Sub-classification of Loans:** | | |
| (i) Loans Receivables considered good - Secured; | | |
| (ii) Loans Receivables considered good - Unsecured; | 6,50,00,000 | 6,50,00,000 |
| (iii) Loans Receivables which have significant increase in Credit Risk; and | | |
| (iv) Loans Receivables - credit impaired | | |

**8 Deferred Tax Assets** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **A. Deferred Tax Assets** | | |
| Related to Brought forward losses and unabosrbed Depreciation | 2,53,218 | 1,71,276 |
| Others | 5,54,467 | 18,55,638 |
| | **8,07,685** | **20,26,914** |
| **B. Deferred Tax Liability** | | |
| Related to Brought forward losses and unabosrbed Depreciation | 4,79,740 | 8,63,534 |
| Others | - | - |
| | **4,79,740** | **8,63,534** |
| **Total** | **3,27,945** | **11,63,380** |

**9 Current Financial Assets - Trade Receivables** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Unsecured, considered good** | | |
| Trade Receivables considered good - Secured; | - | - |
| Trade Receivables considered good - Unsecured; | 7,27,051 | 74,40,077 |
| Trade Receivables which have significant increase in credit risk | - | - |
| Trade Receivables - Credit Impaired | 41,86,763 | 41,86,763 |
| | 49,13,814 | 1,16,26,840 |
| Less : Allowance for expected credit loss | 41,86,763 | 41,86,763 |
| **Total** | **7,27,051** | **74,40,077** |
| Break-up of security details | | |
| (i) Secured, considered good; | - | - |
| (ii) Unsecured, considered good; | 7,27,051 | 74,40,077 |
| (iii) Doubtful | 41,86,763 | 41,86,763 |
| | **49,13,814** | **1,16,26,840** |
| Less : Impairment allowance for Trade Receivables | 41,86,763 | 41,86,763 |

**9.1** Expected credit loss from Trade Receivables:

| Ageing | Gross Carrying Amount | Expected Loss Rate |
|---|---|---|
| Not Due | - | - |
| 0-180 days past due | - | - |
| 181-365 days past due | **7,27,051** | - |
| More than 365 days past due | **41,86,763** | - |
| | **49,13,814** | - |

**9.2** The credit period towards trade receivables generally ranges between 30 to 90 days

9.3 In determinig the allowances for trade receivables the Company has used practical expedients based on financlial condition of the customes, ageing of the customer receivables and iver dues, availibilty of collaterals and historical experience of collections frm customers. The concentration of risk with respect to trade receivanles is reasonably low as most of the cutomer are government and large Corporate organisations though there may be normal delays in collections

9.4 The movement in allowances for doubtful debts is as under: -

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|---|---|---|
| Opening Balance | 41,86,763 | - |
| Additions | - | 41,86,763 |
| Write Off (net of recovery) | - | |
| **Closing balance** | **41,86,763** | **41,86,763** |

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**10 Current Financial Assets - Cash & cash equivalents** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Cash & Cash Equivalents | | |
| Balance with banks; | 5,50,138 | 38,13,269 |
| Cheques, drafts on hand; | - | |
| Cash on hands; | 7,600 | 3,300 |
| Fixed Deposits with Bank ( Original maturity less than 3 months) | - | |
| Total | 5,57,738 | 38,16,569 |

**11 Current Financial Assets - Other Bank Balances** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Fixed Deposits with Bank (Maturity less than 12 months) | - | - |
| Total | - | - |

**12 Current Financial Assets -Other Assets** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Interest accrued: | | |
| On Fixed Deposits with Banks | - | - |
| On Loan to Body Corporate | 62,06,014 | 10,95,389 |
| Security Deposits, Unsecured, considered good; | 2,69,487 | 2,69,487 |
| Retention money | 2,81,814 | 8,61,268 |
| Total | 67,57,315 | 22,26,144 |

**13 Current Tax Assets (Net)** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Advance tax/TDS( net of tax) | 4,23,787 | 68,85,375 |
| Total | 4,23,787 | 68,85,375 |

**14 Other Current Assets** **(In Rupees)**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Other Current Assets | | |
| Prepaid Expenses | - | 5,25,512 |
| Balance with government authorities | 12,37,203 | 19,79,200 |
| Employee loan & Advances | 25,610 | 1,66,505 |
| Total | 12,62,813 | 26,71,217 |

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

## 15 Equity Share Capital

| Particulars | No of Shares | Amount |
|---|---|---|
| **As at April 1, 2019** | 70,00,000 | 7,00,00,000 |
| Increase during the year | | |
| **As at March 31, 2020** | 70,00,000 | 7,00,00,000 |
| Increase during the year | - | - |
| **As at March 31, 2021** | 70,00,000 | 7,00,00,000 |

**Movement in Equity Share Capital**

| Particulars | No of shares | Equity Share Capital par value |
|---|---|---|
| **As at April 1, 2019** | 70,00,000 | 7,00,00,000 |
| Add: Shares issued during the year | - | - |
| Add: Bonus shares issued during the year | - | - |
| Less: Share bought back during the year | - | - |
| **As at March 31, 2020** | 70,00,000 | 7,00,00,000 |
| Add: Shares issued during the year | - | - |
| Add: Bonus shares issued during the year | - | - |
| Less: Share bought back during the year | - | - |
| **As at March 31, 2021** | 70,00,000 | 7,00,00,000 |

**Terms/ rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The Distribution will be in proportion to the number of equity shares held by the shareholders

As per the records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

**(i) Shareholders holding more than 5 percent of Equity Shares**

| Name of Shareholder | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| | No. of share held | No. of share held |
| HFCL Ltd. (Holding Company) | 70,00,000 | 70,00,000 |
| *- alongwith its 6 nominees holding one share each* | | |
| % of Holding | 100.00% | 100.00% |

## 16 Other Equity

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Retained Earnings | 24,92,338 | 96,49,203 |
| Other Comprehensive Income | (11,05,853) | (7,36,369) |
| | 13,86,485 | 89,12,834 |

**(i) Retained Earnings**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Opening Balance** | 96,49,203 | 4,07,97,492 |
| Net profit/(Loss) for the period | (71,56,864) | (3,11,48,289) |
| **Closing Balance** | 24,92,338 | 96,49,203 |

**(ii) Othe Comprehensive Income**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Opening Balance** | (7,36,369) | (5,18,397) |
| Items of Other Comprehensive Income | | |
| Remeasurement of Defined benefit plans | (3,69,484) | (2,17,972) |
| **Closing Balance** | (11,05,853) | (7,36,369) |

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**17 Non-Current Liabilities - Provisions**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Unsecured** | | |
| Provisions for Employee Benefits | | |
| Gratuity | - | 19,61,794 |
| Compensated Absences | - | 9,78,131 |
| **Total** | **-** | **29,39,925** |

**18 Current Financial Liabilities - Trade Payables**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Trade Payables** | | |
| a) Due to Micro and Small enterprises (Refer note no. 31) | - | - |
| b) Others | 74,811 | 10,99,973 |
| **Total** | **74,811** | **10,99,973** |

**19 Current Financial Liabilities - Others**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| **Other Payables** | | |
| Salaries & Wages payable | - | 24,41,529 |
| Expenses Payable | 92,500 | 13,95,652 |
| Payable to Employees | 35,99,723 | 1,92,245 |
| **Total** | **36,92,223** | **40,29,426** |

**20 Other Current Liabilities**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Statutory Liabilities | 22,393 | 21,34,588 |
| **Total** | **22,393** | **21,34,588** |

**21 Current Liabilities - Provisions**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Provisions for Employee Benefits | | |
| Gratuity | - | 1,31,101 |
| Compensated Absences | - | 4,91,304 |
| **Total** | **-** | **6,22,405** |

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### 22 Revenue from Operations

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| **Income from Services** | | |
| Sale of products | - | - |
| Sale of services | - | 79,03,620 |
| | **-** | **79,03,620** |

### 23 Other Income

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| **Other non-operating income** | | |
| Interest Income | | |
| From Fixed Deposits / Margin Money with Banks | - | 28,38,218 |
| From Others | 57,27,728 | 12,17,099 |
| Others - written back of excess provision/balances payables | 1,73,651 | 54,678 |
| Interest on Income Tax Refund | 3,95,579 | - |
| | **62,96,958** | **41,09,995** |

### 24 Other Direct Cost

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| Cost of Site Survey, installation and commissioning services | 4,26,615 | 55,68,293 |
| | **4,26,615** | **55,68,293** |

### 25 Employee Benefit Expenses

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| Salaries, bonus and allowances | 31,57,277 | 2,00,67,347 |
| Contribution to Provident Fund & Others | 1,66,980 | 20,67,443 |
| Staff Welfare Expenses | 2,84,000 | 8,29,965 |
| | **36,08,257** | **2,29,64,755** |

### 26 Finance Costs

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| **Finance Costs:** | | |
| Other Interest (Refer note no. 5) | 3,83,222 | 5,98,896 |
| Bank Charges | 844 | 522 |
| | **3,84,066** | **5,99,418** |

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**27 Other expenses**

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| Rent (Refer note no. 5) | - | - |
| Rates and Taxes | - | - |
| Auditors' Remuneration | - | - |
| Statutory Audit | 1,00,000 | 1,00,000 |
| Tax Audit | - | - |
| Other Services | 25,000 | 50,000 |
| Reimbursement of Expenses | 2,700 | 28,168 |
| Legal and Professional Charges | 3,42,050 | 3,97,453 |
| Communication Expenses | 94,468 | 3,03,220 |
| Travelling and Conveyance Expenses | 49,475 | 30,04,784 |
| Power and Fuel & Water Charges | 2,72,237 | 2,88,920 |
| Insurance Expenses | 4,67,295 | 6,01,071 |
| Office and General Expenses | 14,77,410 | 21,67,251 |
| Impairment allowance for trade receivables | - | 41,86,763 |
| Miscellaneous Expenditure | - | 5,21,518 |
| Corporate Social Responsibility Expenses | 31,546 | 5,68,454 |
| **Total** | **28,62,181** | **1,22,17,602** |

**28 Earning per Share (EPS)- In accordance with the Indian Accounting Standard (Ind AS-33)**

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---|---|---|
| **Basic & Diluted Earnings per share** | **Rs.** | Rs. |
| **Profit /(Loss) after tax** | **(71,56,864)** | **(3,11,48,289)** |
| Profit Attributable to Ordinary Shareholders | | |
| Weighted average number of ordinary shares (used as denominator for calculating basic & diluted EPS) | 70,00,000 | 70,00,000 |
| **Nominal value of ordinary share** | **Rs.10** | **Rs.10** |
| **Earnings per share basic** | **(1.02)** | **(4.45)** |
| **Earnings per share diluted** | **(1.02)** | **(4.45)** |

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**29 Critical accounting estimates and judgments**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**1. Useful lives of property, plant and equipment and Intangible Assets**

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. **Refer note no. 4 & 6**

**2. Employee benefits**

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, estimated retirement dates, mortality rates. The significant assumptions used to account for Employee benefits are described in **Refer note no. 30.**

**3. Taxes**

Deferred tax assets are recognized for unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. **Refer note no. 8**

**4. Contingencies**

On an ongoing basis, Company reviews pending cases, claims by third parties and other contingencies and obligations. Obligations relating to Project Executions is largely depends upon performance of services by respective contractors. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable. **Refer note no. 32**

**5. Leases**

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics. **Refer note no. 5**

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

**30** During the year, Company has recognised the following amounts in the financial statements as per Ind AS - 19 "Employees Benefits" :

**Defined Benefit Plan**

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation and the obligation for leave encashment is recognised in the same manner as gratuity.

| Actuarial assumptions | In Rupees Gratuity | | In Rupees Leave Encashment | |
|---|---|---|---|---|
| | **For the year ended March 31, 2021** | For the year ended March 31, 2020 | **For the year ended March 31, 2021** | For the year ended March 31, 2020 |
| Discount rate (per annum) | **6.28%** | 6.80% | **6.28%** | 6.80% |
| Rate of increase in Compensation levels | **5.50%** | 5.50% | **5.50%** | 5.50% |
| Rate of Return on plan assets | **N.A.** | N.A. | **N.A.** | N.A. |
| Average remaining working lives of employees (Years) | **12.99** | 16.79 | **12.99** | 16.79 |
| **Table showing changes in present value of obligations :** | | | | |
| Present value oft obligation as at the beginning of the year | **20,92,895** | 14,20,878 | **14,69,435** | 8,54,266 |
| Acquisition adjustment | **Nil** | Nil | **Nil** | Nil |
| Interest Cost | **50,605** | 1,16,879 | **31,154** | 77,188 |
| Past Service Cost including curtailment Gains/Losses | **Nil** | Nil | **Nil** | Nil |
| Current Service Cost | **41,710** | 3,37,166 | **17,564** | 2,38,206 |
| Benefits paid | **(25,54,694)** | Nil | **(12,76,500)** | (35,753) |
| Actuarial (gain)/ loss on obligations | **3,69,484** | 2,17,972 | **(2,41,653)** | 3,35,528 |
| Present value of obligation as at the end of the period | - | 20,92,895 | - | 14,69,435 |
| **Table showing changes in the fair value of plan assets :** | | | | |
| Fair value of plan assets at beginning of the year | **Nil** | Nil | **Nil** | Nil |
| Acquisition adjustments | **Nil** | Nil | **Nil** | Nil |
| Expected return of plan assets | **N.A.** | N.A. | **N.A.** | N.A. |
| Employer contribution | **Nil** | Nil | **Nil** | Nil |
| Benefits paid | **Nil** | Nil | **Nil** | Nil |
| Actuarial gain/ (loss) on obligations | **Nil** | Nil | **Nil** | Nil |
| Changes deducted | **Nil** | Nil | **Nil** | Nil |
| Fair value of plan assets at year end | **Nil** | Nil | **Nil** | Nil |
| **Table showing actuarial gain /loss - plan assets :** | | | | |
| Actual return of plan assets | **Nil** | Nil | **Nil** | Nil |
| Expected return on plan assets | **Nil** | Nil | **Nil** | Nil |
| Excess of actual over estimated return on plan assets | **Nil** | Nil | **Nil** | Nil |
| Actuarial (gain )/ loss-plan assets | **Nil** | Nil | **Nil** | Nil |
| **Other Comprehensive Income** | | | | |
| Actuarial (gain) / loss for the period - Obligation | **3,69,484** | 2,17,972 | **Nil** | Nil |
| Actuarial (gain) / loss for the period - Plan assets | **Nil** | Nil | **Nil** | Nil |
| Total (gain) / loss for the period | **3,69,484** | 2,17,972 | **Nil** | Nil |
| Actuarial (gain) / loss recognized in the period | **3,69,484** | 2,17,972 | **Nil** | Nil |
| Unrecognised actuarial (gains) / losses at the end of the period | **Nil** | Nil | **Nil** | Nil |

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**The amounts to be recognized in Balance Sheet :**

| | | | | |
|---|---|---|---|---|
| Present value of obligation as at the end of the period | - | 20,92,895 | - | 14,69,435 |
| Fair value of plan assets as at the end of the period | Nil | Nil | Nil | Nil |
| Funded Status | Nil | Nil | Nil | Nil |
| Unrecognised actuarial (gains) / losses | Nil | Nil | Nil | Nil |
| Net asset / (liability) recognised in Balance Sheet | Nil | Nil | Nil | Nil |

**Expenses recognised in Statement of Profit and**

| | | | | |
|---|---|---|---|---|
| Current service cost | 41,710 | 3,37,166 | 17,564 | 2,38,206 |
| Past service cost (Vested Benefit) | Nil | Nil | Nil | Nil |
| Interest Cost | 50,605 | 1,16,879 | 31,154 | 77,188 |
| Net actuarial (gain) / loss recognized in the period | Nil | Nil | (2,41,653) | 3,35,528 |
| Expected return on plan assets | Nil | Nil | Nil | Nil |
| Curtailment and settlement cost /(credit) | Nil | Nil | Nil | Nil |
| Expenses recognised in the Statement of Profit and Loss | 92,315 | 4,54,045 | (1,92,935) | 6,50,922 |

**Maturity profile of defined benefit obligation**

| | | | | |
|---|---|---|---|---|
| March 2019 to March 2020 | - | - | - | - |
| March 2020 to March 2021 | - | 1,31,101 | - | 4,91,304 |
| March 2021 to March 2022 | - | 32,063 | - | 19,357 |
| March 2022 to March 2023 | - | 28,555 | - | 14,592 |
| March 2023 to March 2024 | - | 28,779 | - | 14,704 |
| March 2024 to March 2025 | - | 28,898 | - | 14,666 |
| March 2025 onwards | - | 18,43,499 | - | 9,14,812 |

**Note-1:** The estimates of rate of escalation in salary considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary.

**31 Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given as follows :**

| | Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|---|
| a. | Principal amount due | Nil | Nil |
| b. | Interest due on above | Nil | Nil |
| c. | Interest paid during the period beyond the appointed day | Nil | Nil |
| d. | Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act. | Nil | Nil |
| e. | Amount of interest accrued and remaining unpaid at the end of the period | Nil | Nil |
| f. | Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprises for the purpose of disallowance as a deductible expenditure under Sec.23 of the Act | Nil | Nil |

**Note:** The above information and that given in Note No. 18 ' Trade Payables' regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company and has been relied upon by the auditors.

**32 Commitments and Contingencies**

**(a) Contingent Liabilities not provided for in respect of :**

| | Particulars | As at March 31, 2021 (Rs) | As at March 31, 2020 (Rs) |
|---|---|---|---|
| (i) | Unexpired Letters of Credit | Nil | Nil |
| (ii) | Guarantees given by banks on behalf of the Company | Nil | Nil |
| (iii) | Claims against the Company in dispute not acknowledged as debt | Nil | Nil |

(a) The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax Authorities . The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not expect the outcome of these proceedings to have a material impact on its financial position.

(b) The Company periodically reviews all its long term contracts to assess for any material foreseeable losses. Based on such review wherever applicable, the Company has made adequate provisions for these long term contracts in the books of account as required under any applicable law/accounting standard.

(c) As at 31st March, 2021 the Company did not have any outstanding term derivative contracts.

**(b) Capital Commitments**

| Particulars | As at March 31, 2021 (Rs) | As at March 31, 2020 (Rs) |
|---|---|---|
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | Nil | Nil |

33 As required by Ind AS - 24 "Related Party Disclosures"

(i). Name and description of related parties.

| Relationship | Name of Related Party |
|---|---|
| (a ) Holding Company | HFCL Ltd (Formerly Himachal Futuristic Communications Limited) (from 17.12.2019) |
| (b ) Joint Venturers: | HFCL Ltd (Formerly Himachal Futuristic Communications Limited) (ceased on 17.12.2019)<br>DragonWave Pte Limited, Singapore, the holding Company (ceased on 17.12.2019) |
| (c) Fellow Subsidiary: | DragonWave S.A.R.L, Luxembourg (ceased on 17.12.2019) |
| (d) Key management personnel : | Mr. Mahendra Nahata, Director<br>Mr. Subodh Kumar Garg, Director<br>Mr. Jitendra Singh Chaudhary, Director<br>Mr. David Russell Farrar, Director (ceased on 18.12.2019)<br>Mr. Yogesh Gupta, Company Secretary (ceased on 30.11.2020) |

Note : Related party relationship is as identified by the Company and relied upon by the auditors.

(ii). Nature of transactions - The transactions entered into with the related parties during the year along with related balances as at 31st March, 2020 are as under:

Amount (Rs.)

| Particulars | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---|---|---|
| Sales of Services | | |
| Holding Company | - | 50,00,000 |
| Remuneration of Key Management Personnel's | | |
| Short Term Employee Benefit | 19,69,251 | 25,63,284 |
| Post Employment Benefit | 6,52,770 | 53,880 |
| Other Long Term Benefit | - | - |
| Share Based Payments | - | - |

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**34 Segment Reporting**

The chief operational decision maker monitors the operating results of its business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

The operating segments have been identified on the basis of nature of products.

i. Segment revenue includes sales and other income directly identifiable with the segment including inter-segment revenue.

ii. Expenses that are directly identifiable with the segment are considered for determining the segment result.

iii. Expenses / Incomes which are not directly allocable to the segments are included under un-allocable expenditure / incomes.

iv. Segment results include margins on inter-segment sales which are reduced in arriving at the profit before tax of the company.

v. Segment assets and liabilities include those directly identifiable with the respective segments. Un-allocable assets and liabilities represent the assets and liabilities that relate to the company as a whole and not allocable to any segment.

Inter – Segment revenue :- Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.

The Company operates in single business segment and caters mainly to the needs of Indian market, hence there is no primerry and geographical segment.

**35 Corporate social responsibility expenses:**

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---|---|---|
| Opening | 5,68,454 | - |
| Gross amount to be spent by the Company during the year | 31,546 | 5,68,454 |
| **Amount spent during the year:** | | |
| Contribution on acquisition of assets | - | - |
| On other purposes | 6,00,000 | - |
| **Amount remained unspent:** | - | 5,68,454 |

**36 Financial risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's business activities expose it to a variety of financial risks, namely liquidity risk, market risks and credit risk. The Company's senior management has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has constituted a Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows as at the Balance Sheet date.

| | Notes Nos. | Carrying amount | Less than 12 months | More than 12 months | Total |
|---|---|---|---|---|---|
| As at March 31, 2021 | | | | | |
| Trade payables | 18 | 74,811 | 74,811 | - | 74,811 |
| Lease Liabilities | 5 | 21,32,566 | 16,80,423 | 4,52,143 | 21,32,566 |
| Other liabilities | 19 | 36,92,223 | 36,92,223 | - | 36,92,223 |
| As at March 31, 2020 | | | | | |
| Trade payables | 18 | 10,99,973 | 10,99,973 | - | 10,99,973 |
| Lease Liabilities | 5 | 35,74,738 | 14,42,171 | 21,32,566 | 35,74,738 |
| Other liabilities | 19 | 40,29,426 | 40,29,426 | - | 40,29,426 |

**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 risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

The sensitivity analyses in the following sections relate to the position as at 31 March 2021 and 31 March 2020.

| POTENTIAL IMPACT OF RISK | MANAGEMENT POLICY | SENSITIVITY TO RISK |
|---|---|---|
| 1. Price Risk | | |
| Equity Price Risk is related to the change in market reference price of the investments in equity securities.<br>The company doesn't hold any equity instruments as on the balance sheet date. | In order to manage its price risk arising from investments, the Company diversifies its portfolio in accordance with the limits set by the risk management policies. | The company doesn't hold any equity instruments as on the balance sheet date. |
| 2. INTEREST RATE RISK | | |
| Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.<br>Company has Fixed deposits with Banks amounting to Rs. Nil as at March 31st, 2021 (Rs.NIL as at March 31st , 2020)<br>Interest Income earned on fixed deposit for year ended March 31st , 2021 is Rs. NIL (Rs.NIL as at March 31st , 2020) | In order to manage its interest rate risk The Company diversifies its portfolio in accordance with the risk management policies. | As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, the Company has calculated the impact of a 0.25% change in interest rates. A 0.25% increase in interest rates would have led to approximately an additional Rs.Nil gain for year ended March 31st, 2021 (Rs. NIL gain for year ended March 31st 2020) in Interest income. A 0.25% decrease in interest rates would have led to an equal but opposite effect. |

**Credit Risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

**Trade Receivables**

Customer credit risk is managed by each business unit subject to the Company established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 March 2021, the Company had top 2 customers (31 March 2020: top 2 customers) that owed the Company more than INR 0.07 Cr (31 March 2020: 0.74 Cr) and accounted for approximately 100% (31 March 2020: 100.00 %) of all the receivables outstanding.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 9. 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.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the management in accordance with the Company's policy. Counterparty credit limits are reviewed by the management on an annual basis, and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2021 and 31 March 2020 is the carrying amounts as illustrated in Note 10.

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**Capital management**

Capital includes issued equity capital and share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholder value.

| Particulars | Note No. | 31-Mar-21 INR | 31-Mar-20 INR |
|---|---|---|---|
| Trade Payables | 18 | 74,811 | 10,99,973 |
| Lease Liabilities | 5 | 21,32,566 | 35,74,738 |
| Other Payables | 19 | 36,92,223 | 40,29,426 |
| Less : Cash and Cash equivalents | 10 | (5,57,738) | (38,16,569) |
| Deposits | | - | - |
| **Total Debt** | | 53,41,862 | 48,87,568 |
| Equity | | 7,13,86,485 | 7,89,12,834 |
| **Total Capital** | | 7,13,86,485 | 7,89,12,834 |
| **Capital and Total debt** | | 7,67,28,347 | 8,38,00,402 |
| **Gearing ratio** | | 6.96% | 5.83% |

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020

37 **Financial Instruments by category**

| | Mar-21 | | | Mar-20 | | |
|---|---|---|---|---|---|---|
| **Particulars** | FVTPL | FVTOCI | Amortised Cost | FVTPL | FVTOCI | Amortised Cost |
| **1) Financial Assets** | | | | | | |
| I) Loan Receivables | - | - | 6,50,00,000 | - | - | 6,50,00,000 |
| II) Trade Receivables | | | 7,27,051 | | | 74,40,077 |
| III) Cash and Cash equivalents | | | 5,57,738 | | | 38,16,569 |
| IV) Other Bank balances | - | - | - | - | - | - |
| V) Security deposit for utilities and premise | - | - | 2,69,487 | - | - | 2,69,487 |
| VI) Other receivables | - | - | 64,87,828 | - | - | 19,56,657 |
| **Total financial assets** | - | - | 7,30,42,104 | - | - | 7,84,82,790 |
| **2) Financial liabilities** | | | | | | |
| I) Lease Liabilities | - | - | 21,32,566 | - | - | 35,74,738 |
| II) Trade payables | - | - | 74,811 | - | - | 10,99,973 |
| III) Other liabilities | - | - | 36,92,223 | - | - | 40,29,426 |
| **Total Financial liabilities** | - | - | 58,99,600 | - | - | 87,04,137 |

**Fair Value measurement**

Fair Value Hierarchy and valuation technique used to determine fair value :

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and are categorized into Level 1 , Level 2 and Level 3 inputs.

38 **Tax Reconciliation**

| | FY 2020-21 | FY 2019-20 |
|---|---|---|
| Net Profit as per Profit and Loss Account (before tax) | (28,43,458) | (3,15,51,131) |
| Current Tax rate @ 26.00% (For 2020 @ 26.00%) | - | - |
| **Adjustment:** | | |
| Provision/expenses for Employee Benefit and others | - | 3,34,668 |
| Depreciation adjustment | 758 | 90,689 |
| Profit on Sale of Fixed Assets | - | - |
| CSR Expenditure | 8,202 | 1,47,798 |
| Provision for doubtful debts | - | 10,88,558 |
| Sales Tax Disallowance | - | - |
| Ind AS - Impact | (64,289) | 9,225 |
| **Tax Provision as per Books** | - | - |

39 Previous year's figures have been regrouped and reclassified wherever necessary and the figures have been rounded off to the nearest rupee.

As per our report of even date attached

For and on behalf of the Board

**For Khandelwal Jain & Co.**
**Firm Reg. No. 105049W**
**Chartered Accountants**

KHANDELWAL JAIN & CO. NEW DELHI Chartered Accountants

**(Manish Kumar Singhal)**
**Partner**
**M.No. 502570**

**Jitendra Singh Chaudhary**
Director
DIN: 01709943

**Subodh Kumar Garg**
Director
DIN: 00550825

New Delhi
07-05-2021

**Dragonwave HFCL India Private Limited- Financial Statements**
**Notes to the Standalone Financial Statements for the year ended March 31, 2021**
*(All amounts are in Rupees)*

## 1. Corporate information

Pursuant to a joint venture agreement dated October 18, 2010, entered into between HFCL Limited (formerly Himachal Futuristic Communications Limited) ('HFCL') and DragonWave Inc. ('DragonWave') a Canadian Company (the "JV Parties"), DragonWave HFCL India Private Limited ('the Company') was incorporated on December 6, 2010 to carry on the business of, sellers, buyers, importers, exporters, stockiest and distributors, all types of radio communication systems and associated products and related technical services.

On October 21, 2019, the Joint Venture Agreement was mutually terminated which was entered with DragonWave Inc. (now known as DragonWave-X Inc., Canada) and HFCL Limited.

Pursuant to cessation of the aforesaid Joint Venture Agreement, HFCL has acquired the balance stake of 50.10% (comprising of 35,07,000 equity shares of face value Rs.10/- each) held in the Company, from DragonWave Pte. Ltd., Singapore, at a total consideration of Rs.2.25 crores, thereby making the Company, a wholly-owned subsidiary of HFCL Limited, w.e.f. December 17, 2019.

## 2. Compliance with Ind AS

These financial statements ('financial statements') have been prepared in accordance with the Indian Accounting Standard ('Ind AS') notified under section 133 of the Companies Act, 2013, read together with Rule 3 of the Companies (Indian Accounting Standards) Rules as amended from time to time.

### 2.1. Recent Pronouncements:

**a)** On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

Balance Sheet:

- Lease liabilities should be separately disclosed under the head 'financial liabilities', duly distinguished as current or non-current.
- Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.
- Specified format for disclosure of shareholding of promoters.
- Specified format for ageing schedule of trade receivables, trade payables, capital work-in-progress and intangible asset under development.
- If a company has not used funds for the specific purpose for which it was borrowed from banks and financial institutions, then disclosure of details of where it has been used.
- Specific disclosure under 'additional regulatory requirement' such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

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Statement of profit and loss:

• Additional disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency specified under the head 'additional information' in the notes forming part of the standalone financial statements.

The amendments are extensive and the Company will evaluate the same to give effect to them as required by law.

**b)** The Indian Parliament has approved the Code on Social Security, 2020 which would impact the contributions by the company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on November 13, 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

## 3. Significant accounting policies

### 3.1. Basis of preparation

#### 3.1.1. Historical Cost Convention

The Standalone Financial Statements have been prepared on the historical cost basis except for the followings:

- certain financial assets and liabilities and contingent consideration that is measured at fair value;
- assets held for sale measured at fair value less cost to sell;
- defined benefit plans plan assets measured at fair value; and

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Standalone Financial Statements are presented in Indian Rupees except where otherwise stated.

#### 3.1.2. Use of estimates and judgements

The preparation of these financial statements in conformity with the recognition and measurement principles of Ind AS requires the management of the Company to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of income and expense for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected.

### 3.2. Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

a) It is expected to be settled in normal operating cycle
b) It is held primarily for the purpose of trading
c) It is due to be settled within twelve months after the reporting period other than for (a ) above, or
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

**3.3. Fair value measurement**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Company categorizes assets and liabilities measured at fair value into one of three levels as follows:

- Level 1 — Quoted (unadjusted)

  This hierarchy includes financial instruments measured using quoted prices.

- Level 2

  Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

  Level 2 inputs include the following:

  i. quoted prices for similar assets or liabilities in active markets.
  ii. quoted prices for identical or similar assets or liabilities in markets that are not active.
  iii. inputs other than quoted prices that are observable for the asset or liability.
  iv. Market – corroborated inputs.

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- Level 3

  They are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or Company's assumptions about pricing by market participants. Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

### 3.4. Property Plant and Equipment

Property, Plant and Equipment and intangible assets are not depreciated or amortized once classified as held for sale.

PPE are stated at actual cost less accumulated depreciation and impairment loss. Actual cost is inclusive of freight, installation cost, duties, taxes and other incidental expenses for bringing the asset to its working conditions for its intended use (net of tax credit, if any) and any cost directly attributable to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by the Management. It include professional fees and borrowing costs for qualifying assets.

Significant Parts of an item of PPE (including major inspections) having different useful lives & material value or other factors are accounted for as separate components. All other repairs and maintenance costs are recognized in the statement of profit and loss as incurred.

Depreciation of these PPE commences when the assets are ready for their intended use.

Depreciation is provided for on Plant & Machinery and on other PPE on written down value method on the basis of useful life. On assets acquired on lease (including improvements to the leasehold premises), amortization has been provided for on Straight Line Method over the period of lease.

The estimated useful lives and residual values are reviewed on an annual basis and if necessary, changes in estimates are accounted for prospectively.

Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.

The useful life of property, plant and equipment are as follows:-

| Asset Class | Useful Life |
|---|---|
| Plant & Machinery | 15 years |
| Furniture & Fixtures | 10 years |
| Computers | 3 – 6 years |
| Office Equipment | 5 years |
| Vehicles | 8 years |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or over the shorter of the assets useful life and the lease term if there is an uncertainty that the company will obtain ownership at the end of the lease term.

An item of PPE is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an

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item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

### 3.5. Intangible Assets

#### (i) Intangible assets

- **Recognition of intangible assets**

  *a.* ***Computer software***

  Purchase of computer software used for the purpose of operations is capitalized. However, any expenses on software support, maintenance, upgrade etc. payable periodically is charged to the Statement of Profit & Loss.

- **De-recognition of intangible assets**

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

- **Amortisation periods and methods**

  During the financial year 2019-20 the company has changed the amortisation method for Intangible assets and has moved from Written Down Value method to Straight Line method. Amortisation in case the company had continued with the old method would have been Rs. 2,03,354/-

### 3.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity

#### 3.6.1. Financial assets

***Initial recognition and measurement***

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

***Subsequent measurement***

For purposes of subsequent measurement, financial assets are classified in following categories based on business model of the entity:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

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*De-recognition*

A financial asset is de-recognized 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.

Where the Company has transferred an asset, it evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized.

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

***Impairment of financial assets***

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

**Financial liabilities**

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Initial recognition and measurement***

Financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially measured at the amortised cost unless at initial recognition, they are classified as fair value through profit and loss.

***Subsequent measurement***

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the statement of profit and loss.

**Trade and other payables**

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

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*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

**Financial guarantee contracts**

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### 3.7. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of profit and loss.

A previously recognized impairment loss (except for goodwill) is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited to the carrying amount of the asset.

### 3.8. Inventories

Traded goods are valued at the lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

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## 3.9. Revenue recognition

The company recognizes revenue in accordance with Ind- AS 115. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.
Revenues in excess of invoicing are classified as contract assets (which may also refer as unbilled revenue) while invoicing in excess of revenues are classified as contract liabilities (which may also refer to as unearned revenues).

The Company presents revenues net of indirect taxes in its Statement of Profit and loss.

➢ **Interest income**

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the interest rate applicable. Interest income is included under the head "other income" in the statement of profit and loss.

## 3.10. Leases

***As a lessee***

The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

i. the contract involves the use of an identified asset
ii. the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
iii. the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such

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cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

***As a lessor***

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

For operating leases, rental income is recognized on a straight line basis over the term of the relevant lease.

**Transition to Ind AS 116**

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019, notifying Ind AS 116 - 'Leases'. This standard is effective from 1st April, 2019. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. The lease expenses, which were recognised as a single amount (operating expenses), will consist of two elements: depreciation and interest expenses. The standard has become effective from 2019 and the Company has assessed the impact of application of Ind AS 116 on Company's financial statements and provided necessary treatments and disclosures as required by the standard.

On transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of Rs. 47.97 Lakhs and a lease liability of similar amount. The effect of this adoption is insignificant on the profit before tax, profit for the period and earnings per share. Ind AS 116 will result in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

**3.11. Foreign currency transactions**

The functional currency of the Company is Indian Rupees which represents the currency of the economic environment in which it operates.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currency at the year end and not covered under forward exchange contracts are translated at the functional currency spot rate of exchange at the reporting date.

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Any income or expense on account of exchange difference between the date of transaction and on settlement or on translation is recognized in the profit and loss account as income or expense.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation difference on such assets and liabilities carried at fair value are reported as part of fair value gain or loss.

In case of forward exchange contracts, the premium or discount arising at the inception of such contracts is amortized as income or expense over the life of the contract. Further exchange difference on such contracts i.e. difference between the exchange rate at the reporting /settlement date and the exchange rate on the date of inception of contract/the last reporting date, is recognized as income/expense for the period.

Effective April 1, 2018 the Company has adopted Appendix B to Ind AS 21- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was Nil.

**3.12. Employee Benefits**

**Short Term Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**Long-Term employee benefits**

Compensated expenses which are not expected to occur within twelve months after the end of period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date.

**Post-employment obligations**

**i. Defined contribution plans**

**Provident Fund and employees' state insurance schemes**

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Statement of Profit and Loss. The Company has no further obligations under these plans beyond its monthly contributions.

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### ii. Defined benefit plans

**Gratuity**

The Company provides for gratuity obligations through a defined benefit retirement plan (the 'Gratuity Plan') covering all employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee salary and years of employment with the Company. The Company provides for the Gratuity Plan based on actuarial valuations in accordance with Indian Accounting Standard 19 "Employee Benefits ". The present value of obligation under gratuity is determined based on actuarial valuation using Project Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Defined retirement benefit plans comprising of gratuity, un-availed leave, post-retirement medical benefits and other terminal benefits, are recognized based on the present value of defined benefit obligation which is computed using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. These are accounted either as current employee cost or included in cost of assets as permitted.

**Leave Encashment**

The company has provided for the liability at period end on account of un-availed earned leave as per the actuarial valuation as per the Projected Unit Credit Method.

Actuarial gains and losses on defined benefit plans are recognized in OCI as and when incurred.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest as defined above),are recognized in other comprehensive income except those included in cost of assets as permitted in the period in which they occur and are not subsequently reclassified to profit or loss.

The retirement benefit obligation recognized in the Financial Statements represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

**Termination benefits**

Termination benefits are recognized as an expense in the period in which they are incurred.

## 3.13. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

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### 3.14. Provisions, Contingent Liabilities and Contingent Assets

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

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

Contingent assets are disclosed in the Financial Statements by way of notes to accounts when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in the Financial Statements by way of notes to accounts, unless possibility of an outflow of resources embodying economic benefit is remote.

### 3.15. Cash Flow Statement

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

### 3.16. GST/CENVAT

The GST/CENVAT credit available on purchase of raw materials, other eligible inputs and capital goods is adjusted against GST/excise duty payable on clearance of goods produced. The unadjusted GST/CENVAT credit is shown under the head "short term loans and advances".

### 3.17. Earnings per share

Basic earnings per share are computed by dividing the net profit after tax for the period attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

### 3.18. Income taxes

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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

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

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Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Restated Consolidated Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

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

Dividend distribution tax paid on the dividends is recognized consistently with the presentation of the transaction that creates the income tax consequence.

**3.19. Exceptional Items**

Exceptional items refer to items of income or expense within the statement of profit and loss from ordinary activities which are non-recurring and are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Company.

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