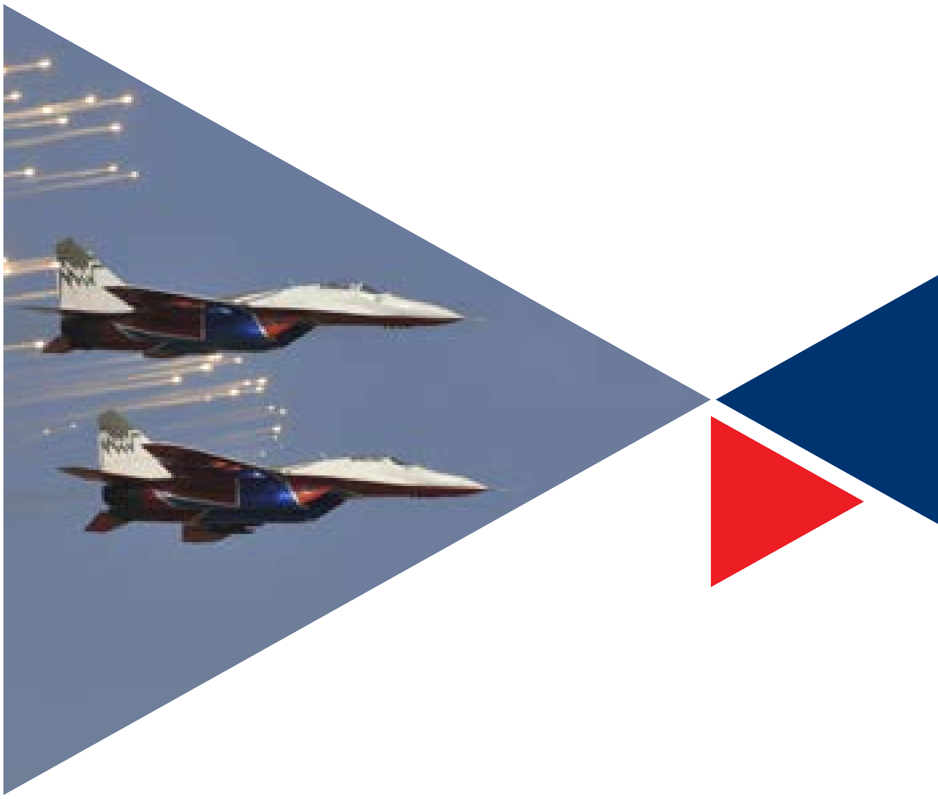
Premier Explosives Limited



STAYING ON THE COURSE

40th Annual Report 2019-20

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NOTICE

Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes. Some of the images used in this report are purely for illustrative purposes only and hence they are not the photos/images of our facilities, products or of any such nature/kind.

STAYING ON THE COURSE

Premier Explosives Ltd (PEL) continues its technological journey in India's defence indigenization. Through research & development and manufacturing of high energy materials, the company is strengthening its product capability matrix in defence, aerospace and commercial explosives.

In the recent times PEL has expanded its manufacturing capability. Its greenfield project at Katepally is under commissioning.

In June 2020, PEL become the first company in India to receive SCOMET license (Special Chemicals, Organisms, Materials, Equipment and Technologies) for export of Propellant filled Rocket Motors, thus confirming the company's ability to match global standards in defence manufacturing.

With a healthy order book which continues to be strengthened through regular additions of fresh orders from the defence and mining sector the company is staying on the course to reach its long term vision.

ABOUT THE COMPANY

Premier Explosives Ltd is engaged in the manufacture of high energy materials and allied products for the defence, space, mining and infrastructure industries. The company has been developing and manufacturing solid propellants for rockets like Pinaka, tactical missiles like Astra, Akash, LRSAM / MRSAM / QRSAM, Brahmos, etc., strategic missiles like Agni and also for strap-on-motors of satellite launchers. The extended capabilities of the company include products such as chaff, IR flares, explosive bolts, pyro devices, smoke markers, cable cutters, tear gas grenades and many other products including pyrogen igniters for defence and space applications. The company is the pioneer in indigenising the technology for manufacture of explosives and accessories.

Vision

We envisage to be a global leader in our segment through relentless research and development of knowledge-based products for defence applications, mines, infrastructure and allied sectors

Mission

Become a global player in quality formulations of high energy materials in a safe, green and economical way through an employee empowered organization

Premier's Technology Capability Matrix

Propellants

Propellant Rocket Motors
Booster motors for different missiles
Pyrogen Igniters
Case-bonded propellants
Free standing and fuel rich grains
Air Target Imitator
Gas generator
Strap on motors for satellite launchers

Pyro devices

Pyro cartridges
Pyro actuators
Smoke / flash generators
IR generators
Specialized squibs
Explosives bolts
Impulse cartridges

High explosives & energetic materials

CL20
HNS IV
HMX
RDX
PETN
Igniter compositions
Ammonium Perchlorate

Counter measures

Chaffs
Flares

Thermal insulation

Lining of rocket motors

First company in India to have deployed indigenous technology for manufacturing explosives

First company in the world to produce safer and greener NHN detonators on commercial scale replacing ASA detonators

First company in India to indigenously manufacture Countermeasures for Indian defence

First Indian private entity manufacturing and supplying solid propellants to India's prestigious missile programmes and delivered more than 2000 Booster Grains for Akash missile.

Operating revenue (Standalone)

₹ **15,650** lakhs

Capex in FY20 (work in progress)

₹ **2,733** lakhs

CHAIRMAN'S MESSAGE

The challenging environment is continuing in FY21 also; however, your company has been working hard towards improving the profitability, especially by focussing on defence explosives business.

Dear Members

Welcome to the annual meeting of your company for the year 2019-20.

Firstly, I trust all of you and your families are safe and healthy in the wake of Covid-19 outbreak. We are living in challenging times now, with the rapid spread of the corona virus. Across the globe, economies and people are deeply impacted by this global health pandemic.

However, it is heartening to note that a few curative medicines have already arrived in the market and perhaps by early 2021, preventive vaccines would also be available to people, thanks to the concerted efforts of research institutes, medical professionals, pharmaceutical companies and governments.

In India, while the lockdown brought everything to a grinding halt in March and April, thereafter economic activity has been gradually resuming under precautionary protocols. We are all learning to adjust to the new normal.

Your company has also adapted to these changes by implementing strict safety guidelines at all levels of operations including Sanitization, Physical distancing and Personal protective gear.

Business challenges

During the year under review, your company faced a few challenges like longer monsoon, cut throat market competition forcing your company to withdraw from a major tender below profitable price point, postponement of few of the defence deliveries, etc.

A week long Corona-induced year-end lockdown also has its impact on production and deliveries in March 2020.

Resultant lower turnover could not absorb the fixed costs fully and thereby company's net result has not been positive.

The challenging environment is continuing in FY21 also; however, your company has been working hard towards improving the profitability, especially by focussing on defence explosives business.

New products from new plant

The Greenfield project at Katepally has taken longer than expected time for completion and receiving licenses. However, the new project is substantial in terms of the size and complexity of the manufacturing processes.

The plant mainly comprises of facilities for manufacturing

- Solid propellants
- Rockets and missiles
- HMX, RDX and their compounds
- Medium and large calibre Ammunition & Warheads / Bombs, Mines & Fuses

Current plant at Peddakandukuru is mainly catering to solid propellants for Akash, MRSAM, LRSAM and Astra missiles and few larger missiles and their derivatives. However, Katepally plant is designed for much larger propellants for satellite launchers and Brahmos missiles, Pralay missiles, etc.

High explosives like RDX / HMX are new products and there are encouraging prospects considering the domestic and global demand for the products.

Ammunition is another important product group and the plant is capable of producing medium and large calibre ammunition. The new plant also can produce Warheads, Bombs and Mines

Ammunition is another important product group and Katepally plant is capable of producing medium and large calibre ammunition.
The new plant also can produce Warheads, Bombs and Mines

Your company is putting all its efforts to harvest revenues from the new plant at the earliest.

Export potential for rocket motors

Having designed and developed solid propellants for Astra, MRSAM and LRSAM missiles and also having designed small rocket motors, your company has gained recognition as a technically competent entity.

Resultantly, your company received orders from foreign users for design and development of three different rocket motors which have already been tested and supply is underway. As the customer has been delighted with performance of these products, your company could receive a new order in August 2020 for development and supply of another rocket motor.

MSME

The government has changed the definition of micro, small and medium enterprises (MSME) and your company is now a registered MSME.

There are few benefits with this registration and your company would reap the eligible advantages accordingly.

Going forward

In the light of large-scale disruption inflicted by the pandemic on the crucial sectors of the economy, the government announced wide-ranging measures under the 'Atmanirbhar Bharat' economic stimulus package.

The government also announced a negative list of 101 defence items which cannot be imported. This is an important initiative having a positive impact on your company's prospects as the list includes missiles, ammunition, chaffs, flares, etc.

We are enthused by the positive impact that these programmes will have on your company both in long term and short term.

Induction of Astra, LRSAM, and MRSAM missiles into defence forces is underway and your company is the sole supplier of propellants for these missiles.

Your company is in the final stage of bagging further orders for supply of chaff and flares against a global tender.

Your company also entered manufacture of coloured smoke cartridges for police. Further your company developed cartridges which will help the police in remotely exploding improvised explosive devices (IED) planted by anti-social elements.

Conclusion

Over the years, we have built various competencies, technologies and facilities to develop and manufacture knowledge-based products and we expect to reap the benefits therefrom in the coming years.

Amid the current uncertainties that the world economy is facing, we are hopeful about better and enduring prospects in the defence and commercial explosives space, due to our strong talent pool, R&D and experience in these areas.

I take this opportunity to express my deep gratitude to all individuals and entities who have contributed to our journey in their capacity as a stakeholder, employee, shareholder, banker, customer and partner.

Yours sincerely

Dr. A.N. Gupta
Chairman and Managing Director

REVIEW BY DEPUTY MANAGING DIRECTOR

There was unprecedented competition in the September 2019 tender for supply of explosives to the coal major. The company didn't quote below profitable price point. Impact is about Rs.60 crores p.a. We will continue to exhibit our focus on quality and reliability as a value for price.

Ongoing efforts to return to profit

Financials

During FY20, your company achieved a turnover of Rs.15,650.80 lakhs and the net loss after tax for the year has been Rs.958.24 lakhs.

FY2020 has been a year during which we had the most subdued performance. However, we remain focused on enhancing our capabilities and are equipped to capitalise on the emerging opportunities. We are confident of improving our performance in FY2021.

Lower turnover

Subdued top line is largely an outcome of our strategic intent i.e. not to indulge in unviable price bidding. There was unprecedented competition in the September 2019 tender for supply of explosives to the coal major. The company didn't quote below profitable price point. Impact is about Rs.60 crores p.a. We will continue to exhibit our focus on quality and reliability as a value for price.

Short term and medium term outlook

During the year 2020-21, we expect gradual quarter to quarter recovery and are very hopeful of the demand and performance improving by 4th quarter of FY2021.

Efforts to return to profit

We are addressing the issue from various angles:

- Complete the qualification trials at Katepally plant and generate revenue. Key updates about this project are:
  - All necessary approvals and licenses have been received
  - It is to be capitalized in second half of FY 2020-21
  - Orders have been secured from ISRO for Solid propellants
  - Trial runs of prototypes of propellants for Brahmos and Pralay missiles for DRDO are underway
  - Trial run of High explosives RDX / HMX for an export order are underway
- Expedite execution of the orders on hand

  Order book as on 1st July 2020 is Rs.483 crores, out of which Rs.325 crores is executable in about 24 months. One of the hurdles in execution is availability of hardware from the customers and the company is closely working with the customers to overcome this bottleneck and for dispatch of finished goods in quick schedules.
- Increasing the business share in thermal insulation and Ammonium Perchlorate
- Voluntary retirement scheme (VRS) to reduce manpower cost

  We are a forty-year old company. Historically most of our workforce has been on permanent employment basis, compared to the practice of contract labour by other companies in the industry. With a view to rationalise the manpower cost, the company offered VRS to the workers meeting certain criteria. The scheme, costing about Rs.9 crores, has been designed with a payback period of 3 to 4 years.

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Cancellation of RFPs

About two years ago, your company had submitted two proposals for supply of Bi Modular Charge System (BMCS) and 30 mm ammunition in response to the Request for Proposals issued by the government. However, a total of eight RFPs including the above mentioned two have been cancelled by the government. We are keenly looking ahead for this opportunity to revive again with the government's renewed thrust on self-reliance in the defence manufacturing.

'Atmanirbhar Bharat' with respect to defence products

'Make in India' initiative is being made more comprehensive and more engaging under the newly launched 'Atmanirbhar Bharat'.

While there have been quite a few action points under this new programme, in our view, two schemes merit as prominent:

- Vocal for local for order sizes below Rs.300 crores
- Ban on import of 101 defence items including missiles, ammunition and counter-measures which are our proven abilities

While ban on import of consumables may benefit your company in short term, ban on import of equipment is expected to create demand for domestic consumables over a period of time.

Leverage on core competencies

We consider 'high energy materials' as our core competency.

There are a few items which are predominantly high energy materials like solid propellants and we would deal with the customers directly in respect of such products.

Then, there are other items which are predominantly hardware but which can become finished products only upon lapping the high energy materials into the hardware. We have been making agreements / MoUs with the parties who have expertise in the hardware.

Receipt of SCOMET license

In June 2020, your company received SCOMET license (Special Chemicals, Organisms, Materials, Equipment and Technologies) for export of Propellant filled Rocket Motors to Israel Aerospace Industries, Israel. This is the first export of such product from your company as well as from India.

Your company has undergone the long and stringent process of getting the SCOMET license for export of first lot and would expedite export of other lots during 2020-21.

Further, your company received a new order recently from the same customer for development and supply of another variant of rocket motor.

Yours sincerely

T V Chowdary

Deputy Managing Director

FINANCIAL HIGHLIGHTS

REVENUE

(₹ in lakhs)

FY20	15,650.80
FY19	24,093.35
FY18	26590.85
FY17	23071.62
FY16	18498.65

EBIDTA

(₹ in lakhs)

FY20	(516.70)
FY19	2343.80
FY18	2,001.64
FY17	2,839.38
FY16	1,760.73

PAT

(₹ in lakhs)

FY20	(958.24)
FY19	1,172.55
FY18	873.41
FY17	1,475.09
FY16	567.51

BASIC EPS

(₹)

FY20	(8.91)
FY19	11.00
FY18	8.42
FY17	16.65
FY16	6.41

NETWORTH

(₹ in lakhs)

FY20	18571.56
FY19	19862.25
FY18	18613.11
FY17	12838.51
FY16	6545.13

LONG TERM DEBT / EQUITY (RATIO)

FY20	0.02
FY19	0.03
FY18	0.04
FY17	0.05
FY16	0.02

10 YEARS AT A GLANCE

(₹ in lakhs)

Statement of Profit and Loss	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Operating revenue (net of excise duty)	**15,650.80**	24,093.35	26,590.85	23,071.62	18,498.65	14,949.16	14,540.38	10,940.10	10,831.53	9,438.36
Other income	**140.00**	259.03	220.49	66.82	46.45	74.04	140.67	206.47	169.89	204.33
Total revenue (net)	**15,790.80**	24,352.38	26,811.34	23,138.44	18,545.10	15,023.20	14,681.05	11,146.57	11,001.42	9,642.69
EBIDTA	**(516.70)**	2,343.80	2,001.64	2,839.38	1,760.73	1,254.34	1,626.20	968.57	1,738.65	1,617.47
Other income	**140.00**	259.03	220.49	66.82	46.45	74.04	140.67	206.47	169.89	204.33
Depreciation	**(496.98)**	(418.91)	(363.35)	(346.42)	(332.39)	(330.07)	(235.22)	(214.50)	(186.66)	(176.61)
Finance costs	**(577.26)**	(552.27)	(514.84)	(437.33)	(374.49)	(236.08)	(236.15)	(179.89)	(101.62)	(140.21)
Profit before exceptional items and tax	**(1,450.94)**	1,631.65	1,343.94	2,122.45	1,100.30	762.23	1,295.50	780.65	1,620.26	1,504.98
Exceptional items	**-**	-	-	58.15	(269.46)	-	-	(37.06)	39.20	-
Profit before tax	**(1,450.94)**	1,631.65	1,343.94	2,180.60	830.84	762.23	1,295.50	743.59	1,659.46	1,504.98
Tax	**492.70**	(459.10)	(470.53)	(705.51)	(263.33)	(230.18)	(374.19)	(209.67)	(465.36)	(503.46)
Profit for the year	**(958.24)**	1,172.55	873.41	1,475.09	567.51	532.05	921.31	533.92	1,194.10	1,001.52
Other comprehensive income (net)	**17.53**	(81.32)	(78.76)	-	-	-	-	-	-	-
Total comprehensive income	**(940.71)**	1,091.23	794.65	1,475.09	567.51	532.05	921.31	533.92	1,194.10	1,001.52
EBIDTA / Operating revenue	**-3.3%**	9.7%	7.5%	12.3%	9.5%	8.4%	11.2%	8.9%	16.1%	17.1%
PBT / Total revenue	**-9.2%**	6.7%	5.0%	9.4%	4.5%	5.1%	8.8%	6.7%	15.1%	15.6%
PAT / Total revenue	**-6.1%**	4.8%	3.3%	6.4%	3.1%	3.5%	6.3%	4.8%	10.9%	10.4%

Balance sheet	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12	31-Mar-11
Non-current assets										
Fixed assets and Intangible assets	**14,828.22**	14,516.27	12,839.47	12,531.64	6,358.83	6,188.84	5,790.31	5,207.03	4,620.96	4,124.74
Depreciation and Amortisation	**(3,763.01)**	(3,268.54)	(2,849.93)	(2,495.60)	(2,413.78)	(2,090.47)	(1,675.68)	(1,449.81)	(1,310.14)	(1,171.72)
Capital work in progress	**6,169.62**	3,482.52	1,579.17	368.96	241.82	41.40	166.17	91.69	119.53	43.73
	17,234.83	14,730.25	11,568.71	10,405.00	4,186.87	4,139.77	4,280.80	3,848.91	3,430.35	2,996.75
Right of Use asset (Leasehold land)*	**77.74**									
Investment property	**8.02**	8.02	8.02	8.02						
Investments	**531.00**	531.00	531.00	526.00	525.00	520.00	520.00	520.00	45.00	45.00
Other non-current assets	**1,012.61**	1,087.32	730.20	630.23	511.46	329.93	407.87	548.48	828.86	573.54
Current assets	**11,763.65**	13,233.78	17,779.77	10,482.90	7,745.98	6,336.75	5,524.17	4,073.08	3,503.28	3,041.93
Total assets	**30,627.85**	29,590.37	30,617.70	22,052.15	12,969.31	11,326.45	10,732.84	8,990.47	7,807.49	6,657.22
Share capital	**1,075.22**	1,075.22	1,063.71	885.86	885.86	885.86	835.86	812.75	812.70	812.55
Other equity / Resesrves and surplus	**18,571.56**	19,862.25	18,613.11	12,838.51	5,659.27	5,305.00	4,809.80	4,032.93	3,736.73	2,778.77
Share warrants			148.80	-	-	-	77.21	-	-	-
Networth	**19,646.78**	20,937.47	19,825.62	13,724.37	6,545.13	6,190.86	5,722.87	4,845.68	4,549.43	3,591.32
Non-current liabilities										
Financial liabililties	**405.32**	660.39	818.76	704.72	105.20	138.47	390.30	508.33	351.12	264.20
Provisions	**391.14**	312.24	269.38	312.78	233.66	177.55	124.80	84.96	72.15	47.92
Deferred tax liability	**924.34**	1,410.28	1,354.17	339.01	408.50	587.27	638.59	562.56	484.26	474.18
Current liabilities	**9,260.27**	6,269.99	8,349.77	6,971.27	5,676.82	4,232.30	3,856.28	2,988.94	2,350.53	2,279.60
Equity and liabilities	**30,627.85**	29,590.37	30,617.70	22,052.15	12,969.31	11,326.45	10,732.84	8,990.47	7,807.49	6,657.22
Return on capital employed	**-4.4%**	9.4%	8.3%	17.4%	16.5%	14.1%	22.3%	15.4%	32.3%	37.6%
Return on networth	**-4.8%**	5.2%	4.0%	10.7%	8.7%	8.6%	16.1%	11.0%	26.2%	27.9%
Long term Debt / Equity	**0.02**	0.03	**0.04**	**0.05**	**0.02**	**0.02**	**0.07**	**0.10**	**0.08**	**0.07**
Current ratio	**1.27**	2.11	2.13	1.50	1.36	1.50	1.43	1.36	1.49	1.33

Per share	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11
Book value per share - ₹	**182.72**	194.73	184.98	154.93	73.88	69.89	67.54	59.62	55.98	44.19
Earnings per share - ₹	**(8.91)**	11.00	8.42	16.65	6.41	6.10	11.25	6.57	14.69	12.33
Dividend per share - ₹	**-**	2.70	2.50	3.00	2.00	2.00	2.70	2.50	2.50	2.00
No. of shareholders	**9,707**	10,428	10,258	9,715	9,085	8,811	5,895	6,135	6,307	7,306

Note: Figures from 2017-18 are as per Ind AS
* new classfication from 2019-20

KEY DRIVERS OF THE BUSINESS

Commercial Explosives

Commercial explosives are being used by the mining and infrastructure industry. India is a major player in mining and produces 95 minerals – 4 fuel-related minerals, 10 metallic minerals, 23 non-metallic minerals, 3 atomic minerals and 55 minor minerals (including building and other minerals).

India aims to produce 1 billion tonne coal by 2023 24 ; Coal India to invest ₹ Rs . 32,696 crores on coal evacuation. Coal India identified 15 greenfield project to operate through Mine Developer and Operator Model; providing opportunity for growth. India is expected to continue to use coal to meet its primary energy needs.

There is a significant scope for new mining capacities in iron ore, bauxite and coal and considerable opportunities for future discoveries of sub-surface deposits.

Government introduced National Infrastructure Pipeline in 2019 with plans to invest Rs 100 lakh crore (US$ 1.43 trillion) over the next five years. Government's impetus on infrastructure projects is expected to boost the need for quarry stone, iron ore and cement.

Defence

In the recent years Govt of India came out with a blueprint on self reliance in defence procurement under it flagship programme titled Defence Production and Export Promotion Policy (DPEPP). This has resulted in the development of a diverse range of products such as arms and ammunitions, tanks, armored vehicles, heavy vehicles, fighter aircrafts and helicopters, warships, submarines, missiles, electronic equipment, earth moving equipment, special alloys and special purpose steels. In the private sector, many companies have diversified and joined the Defence sector. More than 460 licenses have so far been issued to private companies for production of defence equipment.

The Govt of India has set an ambitious goal of achieving a turnover of Rs 1,75,000 Crores (US$ 25Bn) including export of Rs 35,000 Crore (US$ 5 Bn) in Aerospace and Defence goods and services by 2025.

Defence offset policy has enabled seamless transfer of many global technologies to India and in creating a cooperative synergy with global defence product manufactures and defence product manufactures in India.

Missile Manufacturing

Bharath Dynamics Ltd, India's premier missile manufacturer expects India to be Atmanirbar (Self Reliant) in the next 4 years. Defence Ministry had approved Astra Missile for exports. BDL is also eyeing export Opportunities for Akash Missile. Leading European missile manufacturer MBDA has announced an agreement to assemble and integrate cutting edge missile systems in India with BDL.

PEL's Capabilities

PROPELLING INDIA'S PRESTIGIOUS MISSILES

Akash: Supplied 2000+booster grains and 450+sustainergrains

MRSAM: 100% requirements of solid propellants

Brahmos: Transfer of technology is under induction

LRSAM: 100% requirements of solid propellants

Agri IV: Pyrogen Igniter

Astra: 100% requirements of solid propellants

PEL's Capabilities

MANUFACTURING

The company has two units under defence and explosive manufacturing. The first unit at Peddakundukur and the second unit soon to be commissioned at Katepally – both the units located in the State of Telangana. In addition, The company has six bulk explosive manufacturing locations spread across MP, Maharastra, Telangana and Tamil Nadu.

Bulk Explosives

Singrauli (Madhya Pradesh)
Chandrapur (Maharashtra)
Godavarikhani (Telangana)
Manuguru (Telangana)
Neyveli (Tamil Nadu)
Peddakandukur (Telangana)

Defence, Space & Explosives Unit Peddakandukur

Detonator, Detonating fuse,
Packaged Explosives,
Product Research &
Special Products Divisions

Katepally (Telangana) (Under construction)

Solid propellants
HMX/RDX
Ammunition
Mines
Warheads

PEL's Capabilities

PEOPLE

For more than a decade the company has been driving growth by successfully commercialising in-house as well as technology transferred innovations back by its people capabilities. The team at Premier comprising of its senior management and technical experts has multiple years of experience in developing high energy materials.

Engineers & Scientists

100+

Trained in propellant and pyrotechnic products

550+

PEL's Capabilities

INTELLECTUAL CAPABILITIES

Premier Explosives Ltd continues to strengthen its intellectual properties (IP) for manufacture of high energy materials for the defence and specialized fields.

The company has proven abilities in product development through its R&D as well as commercialization of products through ToT from leading defence research establishments. PEL's R&D facility is recognized by the Department of Scientific and Industrial Research (DSIR), Government of India, as an established research centre. It is also recognized as a research base for Ph.D. work by the Gulbara University, Gulbarga, Karnataka. PEL's laboratory is accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL). PEL also has a collaboration with IIT, Madras and BITS Pilani, Hyderabad for research and development in high energy materials.

Key IP Highlights:

First in India to develop indigenous IP for manufacturing explosives and first private sector company to manufacture solid propellants for India's prestigious missile programmes. To design and develop Air Target Imitator (ATI) with registration from DGQA.

First in the world to To produce safer and greener NHN detonators on commercial scale replacing ASA detonators.

The company developed Cutting edge high energy materials such as pyrogen igniters for all strategic missiles, Solid propellants for Air to Air missiles and Sledge motors.

Stable combustion composition for LRSAM propellant and Pyrogen igniters for Advanced Naval Systems Program are two other significant proven capabilities of the company.

Under ToT:

Akash booster / sustainer grains, LRSAM motors, MRSAM motors, NGARM motors,QRSAM motors, Sledge rocket motors, Daisy II motor for Agni, Pinaka rockets – Mark I and II, Astra motor.

Relationship Capabilities:

Collaboration with Gulbarga University, IIT Madras and BITS Pilani for research in high energy materials. Tieups with international OEMs. In FY19 two of

our employees at the Peddakandukuru factory have been awarded Ph.D. by Gulbarga University

for their theses on "Studies on some important High Energy Materials and their application"

and "Synthesis and study of Copper Chromite in High Energy reactions". These first two Doctoral degrees are the outcomes of Memorandum of Understanding between the Gulbarga University and Premier Explosives Limited.

PEL's Capabilities

RELATIONSHIP CAPABILITIES

The company suppliers its defence and commercial explosives to India's leading defence establishments and manufactures, mining, infrastructure and cement companies

Defence and Aerospace Client

Mining and Infrastructure Clients

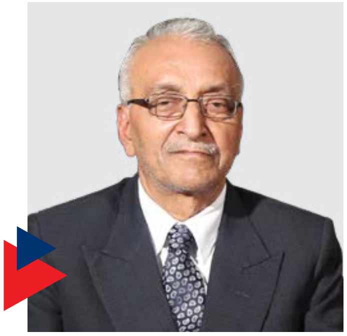
BOARD OF DIRECTORS

Dr. A.N.Gupta
Chairman & Managing Director

T V Chowdary
Deputy Managing Director

Y. Durga Prasad Rao
Director Operations
(w.e.f. 10.08.2019)

Dr. (Mrs.) Kailash Gupta
Non-Executive Director



P R Tripathi
Independent Director

Anil Kumar Mehta
Independent Director

K Ramarao
Independent Director

Dr. A Venkataraman
Independent Director

Lt Gen P.R. Kumar (Retd.)
Independent Director

Dr. A.N.Gupta

Chairman & Managing Director

Having earned his Master's degree in mining engineering. He has actively involved himself in product development projects of defence, new products and processes. A recipient of 'Pickering and ISM Medal' from, Indian School of Mines, Dhanbad and Gold Medalist from Mining Geological and Metallurgical Institute of India. He is a Member of Society of Explosives Engineers, U.S.A. and was Chairman of Explosives Development Council constituted by Government of India and Chairman of Explosives Manufacturers Association of India. He has been given Asia Pacific Entrepreneurship Award 2015 in the Outstanding Category. He authored various articles about high energy materials including "Scaling up of CL-20 production to pilot plant scale" presented at the proceedings of National Symposium on Trends in Explosive Technology. He has been conferred Doctor of Science (Honoris Causa) by Gulbarga University in recognition of his rare distinction and distinguished contributions to the field of science and technology.

T V Chowdary

Deputy Managing Director

A chemical engineer with over 39 years of experience in production of explosives, detonators, petrochemicals, coal tar chemicals, solid propellants and mushrooms.

Y. Durga Prasad Rao

Director Operations
(from 10.8.2019)

A mechanical engineer having 34 years experience in manufacture of explosives, propellants, refractories and also in factory management

Dr. (Mrs.) Kailash Gupta

Non-Executive Director

She is a doctor by profession and also has rich experience in the industry. She is involved in various social and philanthropic activities especially in healthcare.

P R Tripathi

Independent Director

Former CMD of NMDC Limited, holding fellowships of Institution of Engineers (India) and AIMA. He has been involved in the development of mineral industry of India. He is also former President of Federation of Indian Mineral Industries (FIMI).

Anil Kumar Mehta

Independent Director

An FCA, he is a senior partner in M.Bhaskara Rao & Co., C A, having rich experience in auditing, taxation, company law, project finance and other allied matters.

K Ramarao

Independent Director

35 years in technology development, he retired as Associate Director of DRDL. Was responsible for the design and development of all IGDMP Projects as well as for setting up of infrastructure in the field of missile structure. Received Sir Mokshagundam Visweswarayya Award for the Best Engineer from the Institute of Engineers, Kolkata; Best Invention Award from NRDC, Govt of India, Best Scientist of DRDO and many others. He holds a Masters in Aeronautics from Cranfield, U.K

Dr. A Venkataraman

Independent Director

He is a doctorate in Chemistry and is working as Professor in Gulbarga University. His main fields of interests are materials chemistry, nanomaterials chemistry, polymer nano composites, etc. He was awarded Indo-Hungarian Fellowship for research at Hungarian Institution by UGC New Delhi in 2006. He received Young Scientist Award in inorganic Chemistry in 1993 from Indian Council of Chemists. He is a Commonwealth Fellow at Manchester Materials Science Center, Machester, awarded by the Commonwealth High Commission, UK in 1995. He has authored around 100 articles and research papers in reputed national and international research journals. He has three patents filed to his credit.

Lt. Gen P.R. Kumar (Retd.)

Independent Director

He is a Graduate from Staff College, Wellington and Alumnus of National Defence Academy, Khadakwasla. Retired as Lieutenant General from the services of Indian Army in 2015. He was commissioned into the regiment of artillery in 1976. He has attended prestigious Higher Command & National Defence College Courses. During his long and illustrious career, he held a variety of Command, Staff and Instructional assignments. He commanded the prestigious Strike Corps, on the South Western Front, before taking over as DGMO.

SENIOR MANAGEMENT

Dr. A.N.Gupta
Chairman & Managing Director

T V Chowdary
Deputy Managing Director

Y. Durga Prasad Rao
Director Operations
(w.e.f. 10.08.2019)

C. Subba Rao
Chief Financial Officer

Mrs. K. Jhansi Laxmi
Company Secretary

Col Shailendra Pathak (Retd)
Vice President Marketing

Gangraj Tadinada
Vice President Marketing

Y. Krishna Rao
Vice President (Accounts)

CORPORATE INFORMATION

Board of Directors
Dr. A. N. Gupta
(Chairman & Managing Director)

T.V. Chowdary
(Deputy Managing Director)

Y. Durga Prasad Rao
(Director Operations)

Dr. (Mrs) Kailash Gupta
P.R. Tripathi
Anil Kumar Mehta
K. Rama Rao
Dr. A. Venkataraman
Lt.Gen P.R. Kumar (Retd)

Audit Committee
P.R. Tripathi (Chairman)
Anil Kumar Mehta
K. Rama Rao

Stakeholders Relationship Committee
Anil Kumar Mehta (Chairman)
T.V. Chowdary
Dr. (Mrs.) Kailash Gupta

Nomination & Remuneration Committee
P.R. Tripathi (Chairman)
Anil Kumar Mehta
K. Rama Rao

Corporate Social Responsibility Committee
P.R. Tripathi (Chairman)
Dr. (Mrs.) Kailash Gupta
T.V. Chowdary

Company Secretary & Compliance Officer
Ms. Vijayashree K (till 22.05.2020)
Mrs. K. Jhansi Laxmi (w.e.f. 11.09.2020)

Chief Financial Officer
C. Subba Rao

Independent Auditors
Majeti & Co
Chartered Accountants, Hyderabad

Internal Auditors
M. Venkata Ratnam & Associates
Chartered Accountants, Hyderabad

Cost Auditors
S. S. Zanwar & Associates
Cost Accountants, Hyderabad

Secretarial Auditors
K.V.Chalama Reddy
Company Secretary , Hyderabad

Bankers
State Bank of India
HDFC Bank
Yes Bank

Registrars and Share Transfer Agents
KFin Technologies Private Limited
Selenium Tower B, Plot No 31 & 32
Gachibowli, Financial District,
Nanakramguda, Serilingampally
Hyderabad – 500 032

Corporate Identification Number
L24 110TG 1980 PLC 002633

Plants
Detonator, Detonating fuse, Packaged explosives, product research & special products divisions
Peddakandukuru (Telangana)

Greenfield project at Katepally
Solid propellants, RDX/HMX, ammunition, warheads, mines bombs

Bulk explosives divisions
Manuguru (Telangana)
Godavarikhani (Telangana)
Singrauli (Madhya Pradesh)
Chandrapur (Maharashtra)
Neyveli (Tamilnadu)

Listing
BSE & NSE

Investor Relations Agency
Stellar IR Advisors Pvt. Ltd.
B-707, Kanakia Wall Street,
Chakala, Andheri Kurla Road, Andheri (East), Mumbai 400 093

People
Premier's workforce consists of about 1,100 number of people across its locations

Sectors we serve
Company's products are consumed by defence and space, mining, and infrastructure sectors

O&M Services
ISRO, Sriharikota, AP
SFC, Jagdalpur, Chattisgarh

Registered office
Premier Explosives Limited
Premier House, 11 Ishaq Colony,
Near AOC Centre,
Secunderabad – 500015,
Telangana, India
Phone: 040 66146801 to 5,
Email: investors@pelgel.com
www.pelgel.com

HEALTHCARE

Mobile Medical Unit attending to elderly people

Premier Explosives continue to support HelpAge's Mobile Healthcare Program under which sustainable healthcare solutions are provided to elders in economically backward areas in Telangana. Currently PEL supports a MMU which cover 10 villages in Bhuvangiri Yadadri District of Telangana which is near to PEL's factory. The MMU apart from the basic medical equipments and medicines, consists a team of healthcare and social service experts. MMUs are conveniently accessible for elders than hospitals since the mobile healthcare units can reach nearer to the needy. MMUs have been more beneficial during the Covid outbreak as it helped elders not venturing away from their locations. Elders also get free medication on a monthly basis. Their Individual patient card keeps a record of their treatment and helps monitor their progress.

During the year 2019-20 your company has spent an amount of ₹ 22.50 lakhs for supporting MMU reaching out to the designated locations through HelpAge India

Corporate Social Responsibility

EDUCATION & EMPOWERING WOMEN

Prevention and treatment of haemophilia

Hemophilia is a genetic, life-threatening bleeding disorder where blood does not clot normally due to deficiency or absence of clotting proteins called factors. Persons with Hemophilia (PwH) tend to bleed internally and externally even from a minor injury. Statistics show that more than 75 per cent of the hemophiliac population in India cannot even afford treatment for the disease.

Premier Explosives Limited is moved by the plight of those patients and continued its financial assistance to Hemophilia Foundation of India to support its endeavours towards locating the undiagnosed persons and providing subsidized treatment.

During the year 2019-20 your company has contributed ₹ 5 lakhs to Haemophilia Foundation, Puducherry Chapter

During the year the company also gave ₹ 2 lakhs to PM Cares fund as a contribution to fight against Covid and ₹ 0.25 lakh to Redcross for organising health camps.

Education

Premier Explosives has taken up social initiatives towards strengthening the education in and around the locations near the company's manufacturing facility. During the year the company provided computers to schools, paid stipend to Vidya Volunteers and scholarships to students. These activities were carried in four villages in Yadagirigutta mandal – near the company's manufacturing facility in Telangana.

Collaborative Research

The company continues to promote collaborative research on high energy materials with Gulbarga University and during the year contributed an amount of ₹ 4.2 lakhs as stipend to research students of the University.

Women empowerment and safety

The company has been working with 'Society for Aged and Women' and 'Yadadri Vision Social Services' for enhancing women empowerment and safety.

MANAGEMENT DISCUSSION & ANALYSIS

1. **Macroeconomic review**

The novel corona virus (Covid-19) pandemic and related containment measures have resulted in steep decline in economic activity in an already-weak global economy.

As per Jun'20 estimates by World Trade Organization (WTO), volume of merchandise trade shrank by 3% YoY in Q4FY2020. And, it dropped rapidly by 18.5% in Q1FY2021. This has been brought about by social distancing measures and restrictions adopted in most countries throughout April and May.

Likewise, the World Bank (WB) forecasts a 5.2 percent contraction in global GDP in calendar year 2020, which is the deepest global recession in decades.

On the positive side, however, recent commentaries by WTO and WB indicate that there are tentative signs of recovery and the worst of the global pandemic might be over, with lockdowns gradually being eased around the world. Moreover, progress on vaccine development and medical treatments are likely to elevate confidence, which ultimately helps higher economic activity going forward.

India, which has been subjected to national lock-down on March 23, 2020, has recorded a growth of just 3.1% in January – March 2020 quarter, compared to 5.7% in that quarter of the previous year. Annual growth also has declined from 6.1% in 2018-19 to 4.2% in 2019-20, which is the slowest rate recorded in the last eight years.

However, the Indian economy has begun to recoup from the lows experienced in April 2020, when the lockdown measures were at their firmest, with many sectors adapting to the new business normal. Nevertheless, in view of growing Corona virus cases and localised lockdowns, rating agencies continue to project an adverse GDP outlook for the ongoing fiscal. Factors like migrant worker dislocations are a major concern for domestic manufacturing and trade activities.

Relevant to our business, the May 2020 report for eight core domestic sectors reported a cumulative YTD decline of 14.7% in Coal and 54% in Cement production.

In early May 2020, government announced "Aatma Nirbhar Bharat Abhiyan" programme, a special economic package of Rs. 20 lakh crores, equivalent to 10% of India's GDP. This programme is aimed at ramping up policy imperatives to make India a self-reliant economy and to help parts of the economy that have been adversely affected by Covid-19. Given these stimulus measures, the long-term outlook for India remains stable as per major rating agencies, reflecting that India's economy will recover following the containment of the Covid-19 pandemic.

Suspected role in global spread of Covid-19 virus, attempts to dominate South Sea China waters and undesirable aggression at India border have been resulting in polarisation of China on one side and India, US, Japan, Australia, European Union, etc on the other. Trade restrictions by major countries on imports from China may see profound changes in international trade and countries like India may see opportunities knocking their doors to set up manufacturing the goods that were hitherto manufactured by China.

2. **Operating environment**

Need for defending the borders, higher investments in advanced technologies and ambitious export targets in the defence sector - all lend to a positive outlook for the defence sector.

Structural reforms in the coal sector, new mineral policy of 2019 and aiming for reduction in coal imports - all lend to a positive outlook for the coal and mining sector.

Together these initiatives provide hope and opportunities for your company, which primarily operates in defence explosives and mining explosives.

A. Developments in Defence sector

a) "Aatma Nirbhar" initiatives and revision of Defence Procurement Procedure

India is the second largest armed forces and the fifth largest defence budget in the world.

Aiming to achieve self-reliance in defence production, recently the government has increased the FDI limit in defence manufacturing under automatic route from 49% to 74%.

Supporting the "Make in India" initiative, in April '20, the Ministry of Defence has revised Defence Procurement Procedure mainly to facilitate greater participation of Indian Industry and develop robust defence industrial base.

Though defence expenditure has been increasing during the last 10 years, most of the increased expenditure has been in the Personnel & administration costs (49% of total spend in 2011-12 to 61% in 2020-21 estimated).

Inversely, actual expenditure on Acquisitions, stores and R&D has been decreasing (41% in 2011-12 to 29% in 2020-21).

Thus, a bigger push is required from the government in terms of allocation of defence spend in improved technologies to strengthen the country's military position. (Source: Bang for Buck: India's Defence expenditure in wider perspective, Manohar Parrikar Institute for Defence Studies and Analyses)

b) India bans import of 101 defence items to boost self-reliance

In August 2020, government of India has banned import of 101 defence items. Expected to boost up domestic defence industry, the ban-list includes missiles, ammunition and other items for which your company has built up competence and capacities.

c) Separate budget for procuring only Indian made defence items

In May 2020, Finance Minister announced that emphasis will be on procuring locally made products and said separate budgetary provisions for procuring only Indian made defence items.

d) Unstable developments along the border and the need for Defence preparedness

In a significant deterioration of border relations, India and China were locked in a face-off in early Jun'20, with China claiming sovereignty over the Galwan Valley. Though the process of disengagement at several places is underway after diplomatic talks, this is the first major confrontation between the two countries since 1967 and marks an environment of increased tension that will require vital defence preparedness to meet any untoward incident at the border in future.

e) Growing ranks of India as defence exporter globally

At the inauguration of DefExpo, Lucknow, on February 5, 2020 Prime Minister Modi said, "In 2014, the export of defence equipment from India was about Rs. 2,000 crore. In the last two years, it has gone up to Rs 17,000 crore. In the next five years, our target is to increase exports to $5 billion, which is about Rs 35,000 crore."

It is estimated that an export target of $5 billion in the next five years is not only achievable but can even match the national current capital outlay for defence of $15 billion in a decade.

Anecdotally, US is one of the largest importers of Propellant Powders with imports of USD 280 million in 2019. While US imports from China formed close to 7% of the total imports in 2018, the growing trade tensions between the two countries has resulted in this share to decline to less than 1% in 2019. Such continued realignment of global procurement supply chains presents an export opportunity for India.

Recently India has begun exploring export of missiles like Brahmos and Akash to Philippines, Indonesia & Vietnam and MoU has been signed with Phillippines. Already exporting personal protective gear and armour plating for military vehicles to Phillippines, now missiles are expected to widen the export product mix.

In a significant development, your company received SCOMET license from DGFT for export of "Propellant filled rocket motor" to Israel Aerospace Industries, Israel. Designed and developed by your company, this is India's first ever export of such product, marking a small but strong beginning of your company's contribution to India's defence exports.

f) DRDO's push for new technologies

In January 2020, DRDO opened 5 new labs in India, to focus on each of the futuristic technologies: Artificial Intelligence, Quantum technologies, Cognitive technologies, Asymmetric technologies and smart materials. This is paving way for putting India on the world map of technological warfare.

Your company has been partnering with DRDO in high energy materials and can be part of such new programmes in coming years.

g) Update on your company's contribution to India's missile programmes

Your company has been working with various defence entities towards indigenisation of national missile programs. Following table gives details of missiles for which PEL has been supplying solid propellants.

Missile	Type	Stage	Order from	End user	Remarks
Akash	Tactical, Surface to Air	Production	Bharat Dynamics Limited (BDL)	Indian Air Force and Indian Army	Supplied 2000+ booster grains and 450+ sustainer grains
LRSAM	Tactical, Surface to Air	Development cum Production	DRDL	Indian Navy	Sole supplier of solid propellants
MRSAM	Tactical, Surface to Air	Production from 2019	BDL	Indian Air Force and Indian Army	Sole supplier of solid propellants
QRSAM	Tactical, Surface to Air	Development	DRDL	Army	Sole supplier of Solid Propellant
NGARM	Tactical, Air to Surface Anti Radiation	Development	DRDL	IAF	Sole supplier of Solid Propellant
Astra	Tactical, Air to Air	Development and Production	DRDL / BDL	Indian Air Force	Sole supplier of solid propellants
Astra - 2	Tactical, Air to Air	Development	DRDL	Indian Air Force	Sole supplier of solid propellants

Missile	Type	Stage	Order from	End user	Remarks
Agni IV	Ballistic	Production	Advanced Systems Laboratory	Strategic Forces Command	Casting of motor as a service Supplier of Pyrogen igniter
Brahmos	Cruise Anti-ship, Land attack	Production	HEMRL	Indian Air Force, Indian Navy and Indian Army	Transfer of technology is under induction at Katepally plant
Pralay	Tactical, Ballistic short range surface to surface	Development	RCI	Indian Army	Transfer of technology is under induction at Katepally plant

h) Update on PEL's other defence and space products

In addition to missile area, PEL has been working with defence and space entities in the national indigenisation effort with the following products:

Product	Type	Order from	Remarks
Strap on motor for satellite launcher	Solid propellant	ISRO	Trial runs are going on at Katepally plant
Air Target Imitator	Dummy Rockets with IR Flares for Practice Firing	Army	First such product to be designed, developed and manufactured in India
Pyrogen Igniters	Large Igniters for Initiation of Strategic Missiles propellant stages	DRDO	Sole supplier of Pyrogen Igniters Supplied Igniters for various Strategic missiles like Agni and Submarine launched missiles
Mines	Munition device that detonates by way of pressure when a target steps on it or drives over it	DRDO / Indian Army	Qualified in user / DGQA trials and evaluation
Chaff	Counter measure	Indian Air Force	First indigenous supplier of the product Entered into Memorandum of Agreement with Indian Air Force for development and manufacture under 'Make in India'
IR flare	Counter measure	Indian Air Force	First indigenous supplier of the product
Smoke flare	Signalling device	Indian Navy, Para Military Force	Supplies going on
Multispectral flare	Advanced counter-measure	Indian Air Force, Indian Navy, Indian Army	Under offer for user trials
Pyro cartridges	Initiators for missiles and other projectiles	ISROBharat Dynamics Limited	Supplies going on
Water cannon disruptor	Neutralising IEDs	Para Military Force	Supplies going on
Mob control device	Tear gas grenades and shells	Para Military Force, State Police	Supplies going on
Fuze (filling and assembling)	Device that detonates a munition's explosive material	Ministry of Defence	Under user trials

B. Commercial explosives – key drivers

a) Pan-India production of explosives

Product	UoM	2017-18	2018-19*	Growth
SMS explosives	tons	8,37,593.47	8,57,266.69	2%
Cartridge explosives	tons	4,75,957.17	5,38,652.52	13%
Boostex and PETN	tons	9,207.04	10,203.33	11%
Safety fuse	mn mtr	58.95	53.10	-10%
Detonating fuse	mn mtr	674.98	696.40	3%
Detonators	mn no	983.96	1,034.13	5%

*2019-20 details yet to be available

Except Cartridge explosives and Boostex / PETN all other products show muted or negative growth. It is in this backdrop that your company has been focussing more on defence explosives which offer better prospects in the coming years.

b) Production of coal in India

All India Production of coal during 2019-20 was 729.10 MT, almost on par with 728.72 MT in 2018-19.

Coal India Limited (CIL) and its subsidiaries' production also remained stagnant at 602.15 MT of coal in 2019-20 compared to 606.89 MT in 2018-19.

India imported 247.1 million tonnes (MT) of coal in 2019-20, about 5 per cent higher than 235.35 MT in 2018-19.

Several initiatives are being taken by Ministry of Coal for supply of domestic coal to reduce import dependency.

In May 2020, the central government decided to bring the import of 'coal for blending purpose' by domestic coal-based power plants to zero in FY 2020-21.

This is expected to ramp up production by Indian coal miners and to generate demand for explosives.

c) Auction of coal mines for commercial extraction by the private sector

On June 18, 2020, the Government launched auction of 41coal mines for commercial mining with the theme "Unleashing Coal: New Hopes for Atmanirbhar Bharat", for India's self-reliance in coal mining through structural reforms in the coal sector.

Salient features of the auction include:

- In all 41 mines total geological coal reserves amounts to 17 billion tonne of coal
- Peak rated capacities (PRC) of all mines is 225 mtpa
- The mines on offer are largely fully explored ones - could be brought to production immediately.
- 100 per cent FDI through automatic route allowed
- Floor price of coal mines has been set competitively at 4 per cent of revenue share
- Complete freedom to to use coal production for sale, captive consumption, sale to affiliates, coal gassification and exports

The coal mines auctions are expected to lay strong foundation for energy security, large scale employment generation and huge opportunities for investment in coal sector.

These initiatives provide increased opportunities for supply of explosives.

d) Volume restrictions on electric detonators

With a view to enhance safety in mining operations, restrictions have been imposed on volumes of electric detonators to phase them out over a period of time. Non-electric detonators would replace the electric detonators and your company is taking steps to increase production of shock tube and other parts for non-electric detonators.

3. Outlook

Your company has been focussing on defence explosives business and continues to accept mining explosives opportunities wherever the margins are profitable.

In October 2019, your company has withdrawn from Coal India tender below certain price and consequently there had been lower top line and 2019-20 and it would continue to affect the top line for 2020-21 also. However, a new order from Jaiprakash Ventures would compensate the turnover to some extent.

Your company has been working to ramp up few of the defence products like Chaff so as to come back to positive net earnings.

Trial runs at Greenfield project at Katepally are under way:

- Propellant casting for ISRO satellite launcher has been going on
- Prototypes of propellants for Brahmos missiles are under development with transfer of technology from DRDO
- Recently transfer of technology has been initiated with DRDO for Pralay missile propellant and trial runs are about to start
- After receiving all necessary licenses, trial runs have been going on for manufacture of RDX/HMX

4. Segment-wise performance

The company's primary business is manufacture of 'high energy materials' as a single business segment.

5. Financial analysis

Generally accepted accounting principles:

The financial statements are prepared under the historical cost convention on an accrual basis.

Performance:

Current year's net operating revenue has been Rs. 15,650.80 lakhs compared to Rs. 24,093.35lakhs during 2018-19. During the year the company has incurred a loss before tax of Rs. 1,450.94 lakhs compared to a profit of Rs.1,631.65 lakhs last year. Loss after tax stood at Rs.958.24 lakhs against profit after tax at Rs. 1,172.55 lakhs.

During the year, macro economic factors like low demand for detonators, longer monsoon, generally weak economic activity, together with specific factors like withdrawing from major tender for supply of explosives at lower prices, postponement of certain defence deliveries in the wake of Covid-19 at year-end, affected Company's top line. Consequently, fixed costs could not be covered from lower turnover and profitability of the company has been impacted significantly.

Financial position:

During the year, the company incurred a total capital expenditure of Rs. 3,125.87 lakhs including capital work in progress and intangible assets. Major capex is towards Katepally Greenfield project. After receiving all necessary manufacturing licenses, currently trial runs are going on and the company expects to capitalise the project in second quarter of the financial year 2020-21.

Key financial ratios:

	2019-20	2018-19
Debtors turnover	3.33	3.71
Inventory turnover	3.72	7.52
Current ratio	1.27	2.11
Long term Debt equity ratio	0.03	0.04

6. Risk management

Your company recognizes Risk Management as a very important part of business and has kept in place necessary policies, procedures and mechanisms. The company proactively identifies monitors and takes precautionary and mitigation measures in respect of various risks that threaten the operations and resources of the company, which include the following:

Risk	Description	Mitigation
COVID-19 risk	First identified in December 2019 in Wuhan, China, it is an infectious disease and has resulted in an ongoing pandemic affecting almost all the countries. In financial terms, market demand and supply chains have been affected causing global economic recession.	The company has been following the lock-down / relaxation guidelines prescribed by the government. Plants and offices have been taking precautions such as sanitisation, social distancing, etc. Delivery schedules and payment terms are being renegotiated with customers and suppliers to mitigate contract obligation risks.
Project risk	The company has been executing various projects for enhancement of capacity as well as establishment of manufacturing facilities for new products. These capital projects may be exposed to time and cost overruns.	To mitigate these risks, the technocrat management developed in-house design of equipment to the extent possible. The management also closely follows up the execution of projects to meet the deadlines.
Market and Competition risk	Commercial explosives business is linked to mining and infrastructure activity which have not been faring well in recent times. Further, there has been intensive competition in the industry with entry of new units.	To mitigate this risk, the company is exploring new markets including export markets. The company is also focusing on defence products which are expected to grow into a reasonably large stream of revenues to add diversity to the product portfolio.
Safety risks	Both raw materials and finished goods are high risk items during production and handling.	Apart from strict adherence to mandatory safety measures, the company has developed an alternative chemical compound as primary explosive in production of detonators. This alternative chemical is less sensitive to friction and hence is safer than its traditional counterpart. The company which is already an ISO 9000 compliant for commercial products is now implementing AS 9100 C for defence / aero products. The company gives utmost priority for the safety of its employees as well as the manufacturing assets. These measures are expected to make the systems function in accordance with safety standards.
Raw material price risks	Ammonium nitrate and fuel oil form major part of raw materials in manufacture of explosives and those raw material prices are influenced by international dynamics.	This risk is mitigated by price escalation clauses in supply contracts whereby selling prices are periodically adjusted for the changes in prices of main raw materials. The company also uses a mix of domestic and imported ammonium nitrate taking into account the landed cost of the materials in both the options. As such risk absorption clauses are not available in supply of other products, the company takes all efforts to control the overall cost of manufacture, including backward integration.

7. Internal financial controls and their adequacy

Your company has established necessary internal financial controls and have got them assessed by professionals in the field during the year.

Your company has been utilising an ERP system for recording all financial transactions with built in checks and balances. This has been helping in preparation of financial statements and other reports accurately, reliably and timely.

Management reviews the operations on a regular basis.

Independent auditors, internal auditors, cost auditors and secretarial auditors verify financial and other information from their respective angles on intervals as are required.

Board and its committees review the quarterly and annual financial statements in conjunction with the financial policies, assurances through auditors' observations and management responses and certifications.

Based on the above measures your company is confident that internal controls are in place, they are adequate and are reasonably working.

8. Material developments in human resources / industrial relations including number of employees

Your company has 1,103 employees as on March 31, 2020 (1,075 a year ago). Relations between the management and employees have been cordial. Employees have been imparted training in their respective areas for better performance. The management acknowledges the contributions made by each and every employee and records its appreciation for the cooperation extended by them at all levels.

Secunderabad
11.09.2020

Dr. A.N. Gupta
Chairman & Managing Director

DIRECTORS' REPORT

Dear Members

Your directors are pleased to present the 40th annual report including the audited financial statements of your company for the year ended March 31, 2020.

1. Financial summary

(Rs. in lakhs)

	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Profit / (Loss) for the year				
Operating revenue	**15,650.80**	24,093.35	**16,452.09**	25,303.19
Other income	**140.00**	259.03	**146.18**	264.79
Total revenue	**15,790.80**	24,352.38	**16,598.27**	25,567.98
EBIDTA	**(516.70)**	2,343.80	**545.73**	2,322.84
% to Operating revenue	**-3.3%**	9.7%	**-3.3%**	9.2%
Profit / (Loss) before tax	**(1,450.94)**	1,631.65	**(1,501.53)**	1,580.92
Profit / (Loss) after tax	**(958.24)**	1,172.55	**(992.96)**	1,135.53
% to Total revenue	**-6.1%**	4.8%	**-6.0%**	4.4%
EPS (Rs.)	**(8.91)**	11.00	**(9.32)**	10.57
Appropriations				
Retained earnings at beginning of the year	**10,644.68**	9,792.72	**10,671.18**	9,856.24
Profit / (Loss) for the year	**(958.24)**	1,172.55	**(992.96)**	1,135.53
Dividend paid for previous year and tax thereon	**(349.98)**	(320.59)	**(349.98)**	(320.59)
Retained earnings at end of the year	**9,336.46**	10,644.68	**9,328.24**	10,671.18

2. State of affairs

During the year, your company faced many challenges like delayed pre despatch inspection (PDI) from defence customers and low prices from commercial customers, withdrawal from supplies to Coal India at un-remunerative prices, longer monsoon, generally lower construction / quarrying activities and finally the impact of COVID-19 in fourth quarter. Resultantly, turnover has come down to Rs.15,650.80 lakhs from Rs. 24093.35 lakhs during previous year. Consequently EBIDTA has been negative at (Rs.516.70 lakhs) compared to Rs.2343.80 lakhs in previous year. Profit after tax also has been negative (Rs.958.24 lakhs) compared to Rs.1172.55 lakhs for the year 2018-19.

3. Operations

As your company has withdrawn from supplies to Coal India in second half, production of bulk explosives declined to 23,989 tonnes from previous year's 41,612 tonnes.

Production of detonators was 20.29 million pieces as against 29.26 million pieces in previous year.

Operations & maintenance contracts at Sriharikota and Jagdalpur have been satisfactory. In April 2020, the O&M contract at Solid Fuel Complex, Jagdalpur has come to an end and a 6-month extension has been made until a new tender is floated. Based on its experience, your company is confident of getting the contract for a further period.

4. Capital expenditure

During the year the company incurred a capital expenditure of Rs. 296.79 lakhs on fixed assets, Rs.96.33 lakhs on intangible assets and Rs. 2,732.75 lakhs on Capital work in progress. Most of the capital expenditure has been towards Katepally greenfield project which is expected to be capitalised during 2020-21.

5. Dividend

Considering the challenges in financial performance during the year 2019-20 and to preserve the financial resources towards de-risking COVID-19 impact, your Board has not recommended any dividend for the financial year under review.

6. Share capital and reserves

a) Share capital

Your company's equity share capital as on March 31, 2020 stood at Rs. 1075.22 lakhs, same as at the end of last year.

b) Reserves

Your company has not proposed to transfer any amount to the general reserve.

7. Deposits

Your company has not accepted any deposits during the year and there were no deposits outstanding as at end of the year.

8. Change in the nature of business, if any

During the year, there was no change in the nature of business of the company.

9. Material changes and commitments after the reporting period

There have been no such changes. However, one point that is worth mentioning is your company received SCOMET license for export of propellant filled rocket motor for export. This rocket motor has been designed and developed by your company and the license would help in export of such products for the first time from India.

10. Subsidiary companies, Jointly controlled entity and consolidated financial statements

a) PELNEXT Defence Systems Private Limited, a 100% subsidiary company

Incorporated on July 15, 2016 PELNEXT is expected to be operated as a special purpose vehicle in defence explosives business. The company incurred a net loss of Rs. 0.64 lakh during 2019-20 (Rs. 0.96 lakh during 2018-19).

As on 31st March, 2020, Premier Explosives Limited held 10,000 Equity shares in PELNEXT representing 100% of equity share capital.

b) **Premier Wire Products Limited (PWPL), an 80% subsidiary company**

PWPL is engaged in manufacture of Galvanised Iron (GI) Wire catering to the requirements of detonator-manufacturers including Premier Explosives Limited. The company's revenue for the year 2019-20 was Rs. 715.45 lakhs and there was a loss of Rs. 43.80 lakhs (Revenue of Rs. 1334.63 lakhs and loss of Rs. 44.43 lakhs during previous year). Turnover of the company has been affected by lower demand for GI wire from detonator-manufacturers and also during the year the company moved to contract-manufacture of GI wire.

As on 31st March, 2020, Premier Explosives Limited held 52,00,000 Equity shares in PWPL representing 80% of their equity share capital.

c) **BF Premier Energy Systems Private Limited (BFPES), a 50% jointly controlled entity**

This joint venture is yet to commence commercial operations. The company incurred a net loss of Rs.0.43 lakh during 2019-20 (Rs.0.52 lakh during 2018-19).

Your company and Kalyani Strategic Systems Limited, each hold 1,00,000 equity shares in the share capital of BFPES, as on 31st March, 2020.

d) **Consolidated financial statements**

Your company has prepared consolidated financial statements in accordance with section 129 (3) of the Companies Act, 2013.

Details of consolidated entities are given in the Annexure 1, Form AOC-1: Statement containing salient features of the financial statements of subsidiaries / associate companies / joint ventures.

11. Impact of COVID-19

The outbreak of COVID-19 pandemic had its impact over the health of people and world economy.

The Government of India had imposed a nationwide lockdown with effect from March 25, 2020 and this has impacted your company's manufacturing activities also. Though explosives manufacturing was exempt from the lockdown measures, operations continued to be on low scale with restrictions on factory hours, nos. of workers, transport of goods, decline in demand, etc.

Your company expects gradual return to normalcy from third and fourth quarters of the year 2020-21.

12. Future outlook

Your company places priority on defence explosives and continues commercial explosives on feasibility basis.

At the macro level, 'Make in India' is transforming into 'Atmanirbhar Bharat' in the wake of COVID-19 and more specifically in defence supplies in the aftermath of Galwan clashes with China.

Allowing automatic route for Foreign Direct Investment up to 74% of equity in defence companies is expected to attract foreign investors to infuse necessary capital into manufacture of defence supplies in India.

Push for private coal mining also is expected to change the way of supply chain for explosives and accessories giving more emphasis for quality and performance of explosives in mining operations.

In August 2020, Government of India decided to impose embargo on import of 101 defence items, including missiles, ammunition and counter-measures. This embargo is expected to boost indigenous production of defence supplies.

Such proactive actions of the Government are expected to create more business opportunities for companies engaged in high energy materials.

13. Board matters

A. Directors' responsibility statement pursuant to section 134 of the Companies Act, 2013

Your directors confirm that

a) the applicable accounting standards have been followed in preparation of annual accounts;

b) the accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2020 and of the loss of the company for the year ended on that date;

c) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) the annual accounts have been prepared on a going concern basis;

e) adequate internal financial controls have been laid down, have been followed and have been operating effectively;

f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and those systems have been adequate and operating effectively.

B. Declaration of independent directors

All the independent directors confirmed that they have met the criteria of independence as required u/s 149 of the Companies Act, 2013.

C. Board meetings

During the financial year 2019-20 there were 4 Board meetings held on 18th May, 2019, 10th August, 2019, 14th November, 2019 and 13th February, 2020.

D. Board evaluation

Criteria and other details of Board evaluation have been provided in the Annexure -2, Report on Corporate Governance.

E. Directors and Key Managerial Personnel

During the year under review, Mr. T.V. Chowdary was re-appointed as Deputy Managing Director w.e.f. July 1, 2019 for a period of three years and Mr. Y. Durga Prasad Rao was appointed whole-time director designated as Director (Operations) w.e.f. 10th August, 2019 for a period of three years.

Further, Mr. P.R. Tripathi, Mr. Anil Kumar Mehta, Mr. K. Rama Rao and Dr. A. Venkataraman were re-appointed as Independent Directors of the Company for a second term of five years in the annual general meeting held on 25th September, 2019.

Rotation of director

Mr. T.V.Chowdary, Deputy Managing Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

The disclosures required pursuant to Regulation 36 of the SEBI Listing Regulations and Clause 1.2.5 of the Secretarial Standard are given in the Notice of AGM, forming part of the Annual Report.

Changes in Key Managerial Personnel

There have been no changes in the key managerial personnel during the financial year 2019-20.

However, after end of financial year, Ms. K. Vijayshree has resigned as Company Secretary w.e.f. 22nd May, 2020 and later the Board has appointed Mrs. K. Jhansi Laxmi as the Company Secretary w.e.f. 11th September, 2020.

The following are the Key Managerial Personnel as on date:

Dr. Amarnath Gupta - Chairman & Managing Director

Mr. C. Subba Rao – Chief Financial Officer

Mrs. K. Jhansi Laxmi – Company Secretary

F. Company's policy on appointment and remuneration of directors

a) Criteria for appointment of directors

Director must have relevant experience in finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to company's business.

Director should possess the highest personal and professional ethics, integrity and values.

Director must be willing to devote sufficient time and energy in carrying out their duties and responsibilities.

Nomination and Remuneration Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as director and recommend to the Board his / her appointment or re-appointment.

The committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient or satisfactory for the concerned position.

While appointing an independent director, Nomination and Remuneration Committee shall consider the 'independence' of the person also in addition to the above.

b) Policy on directors' remuneration

i. Policy

The Company shall remunerate its directors, key managerial personnel, senior management, other employees and workers appropriately to retain and motivate them as well as to attract new talent when required**.**

ii. Components of remuneration

Remuneration package shall include fixed component for all employees and variable component to the extent desirable and practicable.

iii. Fixed remuneration

It shall be competitive and based on the individual's education, experience, responsibilities, performance, industry benchmark in the area, etc.

Fixed remuneration shall comprise of basic salary and other allowances like house rent allowance, conveyance allowance, etc. which are calculated as certain % of basic salary.

iv. Variable remuneration

It is paid to encourage the employees to achieve set targets and variable remuneration shall be determined on the following basis:

Category	Nature	Basis of variable remuneration
Whole time Directors	Commission	X% of Profit in a year during the contract period (% as recommended by Board and approved by Shareholders.
Management Team (CFO, President, Vice President, Company Secretary, GM)	Profit sharing bonus	X% of Profit divided among them in proportion of their basic salary (% as decided by Committee of Whole time Directors)
Officers (Below GM level)	Profit sharing bonus	X% of Profit divided among them in proportion of their basic salary.(Minimum period of services and other conditions for eligibility are decided by Committee of Whole time Directors)
Staff and Workers	Production incentive	Quantity of production, as per the Wage Agreement revised every 3 years at Peddakandukuru (Those who are engaged in production and allied activities are eligible.

v. Statutory benefits

Employee benefits like Contribution to Provident Fund, Gratuity, Bonus, Employees State Insurance, Workmen Compensation, etc. shall be provided to all eligible employees.

vi. Perquisites and other benefits

Perquisite	Amount
Reimbursement of medical expenses for self and family / Medical allowance	Up to one month basic salary in a year to whom ESI is not applicable
Mediclaim and personal accident insurance	Reasonable coverage to whom ESI is not applicable
Leave travel allowance	Workers - as per wage agreement Others - one month basic salary.
Use of Company car with driver or reimbursement of driver salary, fuel, maintenance and insurance	For Directors-as recommended by Board and approved by Shareholders For Management team-as approved by Committee of Whole time Directors
Telephone at home, Club fee	
Gas, electricity, water, servant, security, gardener and soft furnishing.(Up to 10% of basic salary)	

vii. Increments

Increments of Directors are decided by Nomination and Remuneration Committee and within the range authorized by members of the company.

Increments are made taking into account the individual performance, inflation and company performance.

Workers are given Variable Dearness Allowance as per Consumer Price Index semi-annually on 1st of April and 1st of October.

Wages of workers at Peddakandukuru are revised every 3 years as per the agreement between the management and unions.

Increments of other employees are made effective 1st April every year, as approved by Committee of Whole time Directors upon recommendation of heads of departments.

Mid-year increments are given in exceptional cases, as approved by CMD upon recommendation of concerned director and head of department.

viii. Remuneration to independent and non-whole time directors

Remuneration consists of sitting fee in respect of the Board and Committee meetings attended, at the rates approved by the Board and within the applicable provisions of the Companies Act, 2013.

ix. Service contracts, notice period and severance fees:

Executive directors have entered into a service contracts with the company. The tenure of the contract is three years. Reappointment is done by the Board based on the recommendation of the Nomination and Remuneration Committee. Notice period is as mutually agreed between the director and the Board.

None of the directors is eligible for severance pay.

G. Formal annual evaluation by the Board

The Board has evaluated its own performance and of individual directors. The details as required u/s 134(3)(p) of the Companies Act, 2013, are mentioned in the Annexure 2: Report on Corporate Governance.

14. Transfer of shares and unclaimed dividend to IEPF

As required under Section 124 of the Companies Act, 2013, during the financial year 2019-20, the Company transferred 12,902 equity shares, in respect of which dividends have not been claimed by the members for seven consecutive years or more, to the Investor Education and Protection Fund Authority (IEPF). Details of shares transferred have been uploaded on website of the Company.

Unclaimed dividend amount aggregating to Rs.3,95,713 pertaining to the financial year 2011-12 lying with the Company for a period of seven years was transferred during the financial year 2019-20 to the Investor Education and Protection Fund (IEPF).

15. Auditors

a) Independent auditors

The Members at the 37th Annual General Meeting of the Company held on September 27, 2017, had appointed M/s. Majeti & Co., Chartered Accountants (Firm Registration No. 015975S) as the Statutory Auditors of the Company to hold office for a term of five years, i.e., from the conclusion of the said Annual General Meeting until the conclusion of 42nd Annual General Meeting of the Company to be held in 2022, subject to ratification of their appointment by the shareholders, every year.

The Ministry of Corporate Affairs vide its Notification dated May 7, 2018, has dispensed with the requirement of ratification of Auditors' appointment by the shareholders, every year. Hence, from that date onwards, there is no requirement of shareholders' resolution for ratification of Auditors' appointment.

b) Internal auditors

M/s M. Venkata Ratnam & Associates, Chartered Accountants were the internal auditors for the year 2019-20 and they being eligible, the Board has re-appointed them for the year 2020-21.

c) Cost auditors

The Company has been preparing cost records for relevant products prescribed under the Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014 and these records have been being audited by Cost Accountant.

M/s S. S. Zanwar & Associates, Cost Accountants were cost auditors for 2019-20 and they being eligible, the Board has re-appointed them for the year 2020-21. Board recommends the resolution for members' ratification of their remuneration, as required under the provisions of Section 148(3) of the Companies Act, 2013.

d) Secretarial auditor

Mr. K.V. Chalama Reddy, a practicing company secretary, was the secretarial auditor for the financial year 2019-20 and he being eligible, the Board has re-appointed him for the year 2020-21.

16. Independent auditors' report

There are no qualifications, reservations or adverse remarks made by the Independent auditors in their report.

17. Ratings

ICRA has revised the long-term credit rating to '[ICRA] A- (Negative)' from '[ICRA] A (Stable)' and short-term credit rating has been retained at '[ICRA] A2+'.

18. Management discussion and analysis

A report on management discussion and analysis is placed as a separate section in the annual report.

19. Corporate governance

Pursuant to Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a detailed report is given at Annexure-2 along with the auditors' certificate in the Annexure-3 and CEO and CFO certificate in the Annexure-4.

20. Secretarial audit report

In accordance with section 204 of the Companies Act, 2013, the secretarial audit report is attached as Annexure-5 and there are no qualifications, reservations or adverse remarks made by the Secretarial auditors in their report.

21. Conservation of energy, technology absorption and foreign exchange earnings and outgo

Information required under Section 134(3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in Annexure- 6 to this Report.

22. Particulars of loans, guarantees or investments in terms of section 186 of the Companies Act, 2013

Your company

a) has not given any loan to any person or other body corporate other than usual advances for supply of materials and services

b) has not given any guarantee or provide security in connection with a loan to any other body corporate or person and

c) has not acquired the securities of any other body corporate by way of subscription, purchase or otherwise,

exceeding sixty percent, of its paid-up share capital, free reserve and securities premium account or one hundred percent of its free reserves and securities premium account whichever is more.

23. Particulars of contracts or arrangements with related parties

Contracts or arrangements with related parties referred in section 188(1) of the Companies Act, 2013 have been at arm's length and the particulars are reported in the Annexure - 7.

24. Risk management policy

Your company recognizes Risk Management as a very important part of business and has kept in place necessary policies, procedures and mechanisms. The company proactively identifies monitors and takes precautionary and mitigation measures in respect of various risks that threaten the operations and resources of the company.

The Risk Management Policy of the company is available at the link http://www.pelgel.com/prm.htm.

25. Vigil mechanism policy

Pursuant to the provisions of Section 177 (9) and (10) of the Companies Act, 2013 a Whistle Blower policy has been established. The policy is available at the website link http://www.pelgel.com/pwb.htm.

26. Corporate social responsibility (CSR) activities

During the year 2019-20, your company has spent an amount of Rs.39.49 lakhs (Rs. 39.90 lakhs in previous year) on CSR activities, against the minimum mandatory amount of Rs. 39.15 lakhs (Rs. 36.23 lakhs in previous year), being 2% of average profit for the last three years.

Details of CSR activities are given in Annexure - 8.

27. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (Nirbhaya Act)

There are 90 women employees in your company as on March 31, 2020 (86 a year ago) and your company has formulated an anti harassment policy to ensure safe working environment. Your company also has set up an Internal Complaint Committee to redress complaints of women employees.

Details of awareness programmes and complaints are listed in Annexure - 9.

28. Disclosure of significant and material orders passed by regulators etc. under Rule 8(5)(vii) of the Companies (Accounts) Rules 2014

There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

29. Disclosure of internal financial control systems and their adequacy Rule 8(5)(viii) of the Companies (Accounts) Rules 2014

The company has in place adequate internal financial controls with reference to financial statements through

- reviews of operations by Board and committees
- vetting of various reports by management
- periodical internal audits
- setting and implementing financial policies
- checks and balances in the ERP system and other measures.

30. Extracts of annual return and other disclosures under the Companies (Management & Administration) Rules, 2014

In pursuance of Notification of Ministry of Corporate Affairs, dated August 28, 2020, Extract of Annual Return in form no. MGT-9 as per Section 92(3) of the Companies Act, 2013 and Rule 12 (1) of the Company (Management & Administration) Rules, 2014 is available at the company's website (www.pelgel.com).

31. Remuneration of directors and employees and related disclosures

Remuneration is paid to directors and employees in accordance with the remuneration policy of the company and applicable statutory provisions.

Particulars required u/s 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given as Annexure-10.

32. Listing on stock exchanges

Your Company's shares are listed on the Bombay Stock exchange (BSE) and National Stock Exchange (NSE).

During the year under review, your company's share price on BSE had moved between a maximum of Rs. 260.20 and a minimum of Rs. 56.50. The price closed at Rs. 62.30 on March 31, 2020, a decrease of 75% over the price of Rs. 245.00 on March 29, 2019.

On NSE, your company's share price had moved between a maximum of Rs. 260.05 and a minimum of Rs. 55.10. The price closed at Rs. 61.50 on March 31, 2020, a decrease of 75% over the price of Rs. 248.20 on March 29, 2019.

Strength of shareholders has decreased from 10,428 on 31.03.2019 to 10,083 on 31.03.2020.

33. Industrial relations

Your directors thank all the employees for their cooperation and the contribution towards harmonious relationship and progress of the company.

34. Acknowledgements

Your directors place on record their appreciation of the continued support and cooperation from all employees, customers, suppliers, financial institutions, banks, regulatory authorities and other business associates.

Secunderabad
11.09.2020

Dr. A.N. Gupta
Chairman & Managing Director
DIN: 00053985

ANNEXURE – 1

FORM AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014) Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

(Rs. in lakhs)

Part A: Subsidiaries (Information in respect of each subsidiary to be presented with amounts)			
1	Name of the subsidiary	Premier Wire Products Limited	PELNEXT Defence Systems Private Limited
2	The date since when subsidiary was acquired	30-Jun-16	15-Jul-16
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Apr 2019–Mar 2020, same as for holding company	Apr 2019–Mar 2020, same as for holding company
4	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	INR	INR
5	Share capital	650.00	1.00
6	Reserves and surplus / Other equity	8.48	(2.46)
7	Total assets	885.66	1.00
8	Total Liabilities	227.18	2.46
9	Investments	-	-
10	Turnover	715.45	-
11	Profit before taxation	(50.12)	(0.64)
12	Provision for taxation	6.32	-
13	Profit after taxation	(43.80)	(0.64)
14	Proposed Dividend	-	-
15	Extent of shareholding	80%	100%

Note:

1. Names of subsidiaries which are yet to commence operations: PELNEXT Defence Systems Private Limited

2. Names of subsidiaries which have been liquidated or sold during the year: None

(Rs. in lakhs)

Part B: Associates and Joint Ventures Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures		
Particulars		**Name of Associates/Joint Ventures**
		BF Premier Energy Systems Private Limited (jointly controlled entity)
1	Latest audited Balance Sheet Date	March 31, 2020
2	Shares of Associate / Joint Ventures held by the company on the year end	
	Number of equity shares	1,00,000
	Amount of Investment in Associates / Joint Venture	10.00
	Extent of holding	50.00%
3	Description of how there is significant influence	Held 50% of equity share capital
4	Reason why the associate / joint venture is not consolidated	Proportionately consolidated
5	Net worth attributable to Shareholding as per latest audited Balance Sheet	(0.16)
6	Profit / (Loss) for the year	
	i. Considered in Consolidation	(0.13)
	ii. Not Considered in Consolidation	(0.13)

Note:

1. *Names of associates or joint ventures which are yet to commence operations:*
   BF Premier Energy Systems Private Limited (JV)
2. *Names of associates or joint ventures which have been liquidated or sold during the year:*
   None

ANNEXURE – 2
REPORT ON CORPORATE GOVERNANCE

Report pursuant to Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, compliance with the requirements of Corporate Governance is set out below**:**

I. **Corporate Governance**

1. Company's philosophy

Your Company firmly believes that good corporate governance is a necessary discipline and a means of achieving and attaining the goals and objectives of the company. Your company has been practicing the principles of corporate governance over the years.

The Board of directors lays strong emphasis on transparency, accountability and integrity.

The Company is in compliance with the Corporate Governance requirements as enshrined in the Companies Act, 2013 read with the Rules made there under, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and other applicable laws.

2. Board of directors

The Board of Directors of the company has an optimum combination of Executive, Non-Executive and Independent Directors who have in-depth knowledge of business and expertise in their areas of specialisation. Presently, the Board of Directors comprises nine (9) directors, of which three are Executive Directors, five are Non-Executive & Independent Directors and one Non-Executive & Non-Independent Woman Director. The composition of the Board is in conformity with Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations.

The Composition of the Company's Board, their category, designation, other Directorships and memberships of Committees held by each of them is as follows:

a. Composition and category of directors as on 31st March, 2020 is as follows

S.No.	Name of the Director	DIN Number	Designation	Category
1	Dr. A.N.Gupta	00053985	Chairman and Managing Director	Promoter & Executive Non-Independent Chairman
2	Mr. T.V.Chowdary	00054220	Deputy Managing Director	Executive Director
3	Mr. Y. Durga Prasad Rao (w.e.f. 10th August, 2019)	08072805	Director (Operations)	Executive Director
4	Dr. (Mrs.) Kailash Gupta	00054045	Director	Promoter & Non Executive-Non Independent Director
5	Mr. Anil Kumar Mehta	00040517	Director	Independent Director
6	Mr. P.R.Tripathi	00376429	Director	Independent Director
7	Mr. K.Rama Rao	02678860	Director	Independent Director
8	Dr. A. Venkataraman	02669952	Director	Independent Director
9	Lt.Gen. P.R.Kumar (Retd)	07352541	Director	Independent Director

b. Attendance of each director at the Board meetings and the last AGM held on September 25, 2019

Name of the Director	No. of Board meetings attended		Last AGM attendance (Yes/No)
	Held during tenure	Attended	
Dr. A.N.Gupta	4	4	Yes
Mr. T.V.Chowdary	4	3	Yes
Mr. Y. Durga Prasad Rao	2	2	Yes
Dr. (Mrs.) Kailash Gupta	4	4	Yes
Mr. P.R.Tripathi	4	4	Yes
Mr. Anil Kumar Mehta	4	4	Yes
Mr. K. Rama Rao	4	4	Yes
Dr. A. Venkataraman	4	4	Yes
Lt.Gen. P.R.Kumar (Retd)	4	3	Yes

c. Number of other Board of Directors or committees in which a director(s) is a member or a chairperson

None of the directors on the Board is a member in more than 10 committees or chairman of more than 5 committees as specified in Regulation 26(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, across all companies in which he or she is a director. Necessary disclosures regarding committee positions have been made by the directors.

The number of Directorships, Committee Chairmanships/Memberships held by them in other public companies as on 31st March, 2020 and details of directorships in other listed entities are given below.

S. No.	Name of the Director	No. of other Directorships	Other Committee positions*		Name of other listed companies in which Directors of the Company are directors	Category of the directorships in the listed entity
			Membership	Chairman		
1	Dr. A.N.Gupta	2	-	-	Nil	N.A.
2	Mr. T.V.Chowdary	5	-	-	Nil	N.A.
3	Dr. (Mrs.) Kailash Gupta	1	-	-	Nil	N.A.
4	Mr. Anil Kumar Mehta	-	-	-	Nil	N.A.
5	Mr. P.R.Tripathi	5	3	3	1. IVRCL Limited (ceased to be a Director w.e.f. 25th September, 2019) 2. Hindustan Dorr Oliver Limited (ceased to be a Director w.e.f. 21st September, 2019	Non executive-Independent Director
6	Mr. K. Rama Rao	-	-	-	Nil	N.A.
7	Dr. A. Venkataraman	-	-	-	Nil	N.A.
8	Lt.Gen. P.R.Kumar (Retd)	-	-	-	Nil	N.A.
9	Mr. Y. Durga Prasad Rao	1	-	-	Nil	N.A.

*Chairmanships/Memberships of Board Committees include only that of Audit Committee and Stakeholder Relationship Committee.

d. Particulars of directorships in other companies

Name of the Director	Name of the Company	Position
Dr. A.N.Gupta	BF Premier Energy Systems Private Limited	Director
	PELNEXT Defence Systems Private Limited	Director
Mr. T.V.Chowdary	Premier Wire Products Limited	Director
	Octane Chemicals Private Limited	Director
	BF Premier Energy Systems Private Limited	Director
	PELNEXT Defence Systems Private Limited	Director
	Godavari Explosives Limited (ceased to be director w.e.f. October 3, 2019)	Director
Dr. (Mrs.) Kailash Gupta	Premier Wire Products Limited	Director
Mr. Anil Kumar Mehta	None	None
Mr. P.R.Tripathi	Hindusthan Dorr Oliver Limited (under Liquidation)	Director
	IVRCL Limited (Under liquidation)	Director
	HDO Technologies Limited (under Liquidation)	Director
	Minman Consultancy Services Private Limited	Director
	RIHM Developers Private Limited (Ceased to be director w.e.f. September 5, 2019)	Director
Mr. K. Rama Rao	None	None
Dr. A. Venkataraman	None	None
Lt.Gen. P.R.Kumar (Retd)	None	None
Mr. Y. Durga Prasad Rao	Premier Wire Products Limited	Director

e. Positions in Committees of all companies

No. of committees and chairmanships held by them across all the companies are as follows:

Name of the Director	Name of the Company	Member of the Committee	Chairman of the Committee
Dr. A.N.Gupta	None	None	None
Mr. T.V.Chowdary	Premier Explosives Limited	CSR committee	No
		Stakeholder Relationship Committee	No
Dr. (Mrs.) Kailash Gupta	Premier Explosives Limited	CSR committee	No
		Stakeholder Relationship Committee	No
		Internal Complaints Committee	No
Mr. P.R.Tripathi	Premier Explosives Limited	Audit Committee	Yes
		Nomination and Remuneration Committee	Yes
		CSR committee	Yes
	IVRCL	Audit Committee	Yes
		Stakeholder Relationship Committee	Yes
	Hindusthan Dorr Oliver Limited	Audit Committee	Yes
		Stakeholder Relationship Committee	Yes
Mr. Anil Kumar Mehta	Premier Explosives Limited	Stakeholder Relationship Committee	Yes
		Audit Committee	No
		Nomination and Remuneration Committee	No
Mr. K. Rama Rao	Premier Explosives Limited	Audit Committee	No
		Nomination and Remuneration Committee	No
Dr. A. Venkataraman	None	None	None
Lt.Gen. P.R.Kumar (Retd)	None	None	None
Mr. Y. Durga Prasad Rao	None	None	None

f. Number of Board meetings held and dates on which held

The Board of Directors met 4 (four) times during the Financial Year from 01st April, 2019 to 31st March, 2020. The maximum time gap between any of two consecutive meetings did not exceed One Hundred and Twenty days. The dates on which the meetings were held are as follows:

18thMay, 2019, 10thAugust, 2019, 14th November, 2019 and 13th February, 2020.

g. Disclosure of relationship between directors inter se

Dr. A.N.Gupta, Chairman and Managing Director and Dr. (Mrs.) Kailash Gupta, Non Executive Director, are husband and wife. Other than them, none of the Directors are related to any other Director.

h. Number of shares and convertible instruments held by non-executive directors

Name	Category	No. of Shares held as on 31.03.2020
Dr. (Mrs.) Kailash Gupta	Non Executive & Non Independent Director	11,67,467
Mr. Anil Kumar Mehta	Non Executive & Independent Director	3,000
Mr. P.R.Tripathi	Non Executive & Independent Director	Nil
Mr. K. Rama Rao	Non Executive & Independent Director	Nil
Mr. A. Venkataraman	Non Executive & Independent Director	Nil
Lt.Gen. P.R.Kumar (Retd)	Non Executive & Independent Director	Nil

i. The details of familiarisation programmes imparted to independent directors are given below

In every quarter during the year 2019-20

Chairman and Managing Director apprises the directors on the latest, business developments include foreign tie ups, technology agreements, product launch and strategy adopted for expanding the Business.

Deputy Managing Director gives a presentation on the performance of the Company and the future outlook.

Chief Financial Officer presents the detailed analysis of the financial results. Internal auditors give a detailed report on their findings. Statutory auditors share their views on their observations during the course of audit and make presentations to the Board of Directors with regard to the regulatory changes from time to time while approving the financial results.

The Company secretary prepares the necessary policies as required by various regulations of SEBI and are circulated to the directors for their comments.

The details are given in the web blink: http://www.pelgel.com/fpi.html

j. Given below is the chart setting out the skills / expertise / competence of the Board of Directors

S.NO	Name of the Director	Category	Skills/expertise/competence
1	Dr. A.N. Gupta	Chairman & Managing Director (Executive & Non-Independent Director)	Technology, Innovation & Entrepreneurship
2	Mr. T.V. Chowdary	Deputy Managing Director (Executive Director)	Strategy, Industrial Affairs & leadership
3	Mr. Y. Durga Prasad Rao	Director-Operations (Executive Director)	Project execution, Technology, Industrial and Government Affairs
4	Dr. (Mrs.) Kailash Gupta	Non-Executive and Non-Independent Director	Doctor by profession. social and philanthropic activities especially in healthcare
5	Mr. P.R. Tripathi	Independent Director	Expert in Mining Activities, strategy & Leadership
6	Mr. Anil Kumar Mehta	Independent Director	Accounting, Audit, Taxation & Project Finance.
7	Mr. K. Rama Rao	Independent Director	Technology Development& Research in Defence Products.
8	Dr. A. Venkataraman	Independent Director	Expertise in High Energy Materials chemistry, nano-materials chemistry, polymer nano composites etc., Innovation & Training
9	Lt. Gen P.R. Kumar (Retd.)	Independent Director	Strategy, People Management and General Administration.

Board Skill Matrix

The Board has identified the following skills/expertise/ competencies fundamental for the effective functioning of the Company, which are currently available with the Board:

Defence business	Understanding product portfolio, intricacies in defence procurement, diverse entities within defence departments, indigenisation and regulatory jurisdictions.
Strategy and Planning	Appreciation of long-term trends in industrial explosives and military explosives, developments in technology changes, knowledge in user industries like defence / mining and experience in guiding and leading management teams to make decisions in constrained environments.
Governance	Experience in developing and overseeing governance practices, holistic approach in serving the interests of all stakeholders, maintaining board and management accountability, eye on changing corporate and other laws and driving corporate ethics and Values

k. Confirmation as regards independence of Independent Directors

In the opinion of the Board of Directors of the Company, the existing Independent Directors fulfil the conditions specified in the SEBI Listing Regulations and they are independent of the Management.

l. Reasons for resignation of Independent Director before the expiry of term, if any

Not Applicable

3. Audit Committee

a. Brief description of Terms of reference

Audit committee reviews the audit reports submitted by the Internal Auditors and Statutory Auditors, Financial results, the effectiveness of the Internal Audit process, Management Discussion and Analysis report, Related Party Transactions, etc. These terms of reference are in line with the regulatory requirements mandated by the Section 177 of the Companies Act, 2013 and Part C of Schedule II of Regulation 18(3) of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Role of Audit Committee includes

i. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

ii. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of statutory auditors and fixation of audit fees.

iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

iv. Reviewing with the management, the annual financial statements, before submission to the Board for approval, with particular reference to -

   1. Matters required to be included in the Director's Responsibility Statement to be included in the Board report in terms of clause (c) of sub section (3) of section 134 of the Companies Act, 2013.
   2. Change, if any, in accounting policies and practices and reasons for the same.
   3. Major accounting entries involving estimates based on the exercise of judgment by management.
   4. Significant adjustments made in the financial statements arising out of audit findings.
   5. Compliance with listing and other legal requirements relating to financial statements.
   6. Disclosure of any related party transactions.
   7. Modified opinion (s) in the draft audit report.

v. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

vi. Reviewing with the management the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter.

vii. Review and monitor the auditor's independence and performance and effectiveness of audit process.

viii. Approval of any subsequent modification of transactions of the Company with related parties.

ix. Scrutiny of inter-corporate loans and investments.

x. Valuation of undertakings or assets of the listed entity, wherever it is necessary.

xi. Evaluation of internal financial controls and risk management systems

xii. Reviewing with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.

xiii. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit

xiv. Discussion with internal auditors of any significant findings and follow up thereon.

xv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board

xvi. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.

xvii. To look into reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors

xviii. To review the functioning of the whistle blower mechanism

xix. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc., of the candidate.

xx. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

xxi. Monitoring the end use of funds raised through public offers and related matters.

xxii. To review the management discussion and analysis of financial condition and results of operations.

xxiii. To review the statement of significant related party transactions (as defined by the Audit Committee) submitted by the Management.

xxiv. To review management letters/letters of internal control weaknesses issued by the statutory auditors.

xxv. To review internal audit reports relating to internal control weaknesses issued by the statutory auditors.

xxvi. To review the appointment, removal and terms of remuneration of the chief internal auditor.

xxvii. To review the statement of deviations of the following:

1. Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Annual statement of Funds utilised for purposes other than those stated in the offer document/ prospectus/ notice in terms of Regulation 32 (7) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

xxviii. To review the utilisation of loans and/or advances from/investment by the holding company in the subsidiary, whichever is lower including existing loans / advances / investments.

b. Composition, names of the members, and Chairperson

Audit Committee consists of 3 (three) Non Executive-Independent directors who are financially literate. The Committee is headed by Mr. P.R. Tripathi, an Independent Director.

Name of the director	Position
Mr. P.R.Tripathi	Chairman
Mr. Anil Kumar Mehta	Member
Mr. K. Rama Rao	Member

c. Attendees

The Audit Committee invites such of the executives, as it considers appropriate to be present at its meetings. The Company Secretary acts as the Secretary of the Committee.

d. Audit Committee meetings and attendance during the financial year ended 31st March, 2020

During the year, the Committee held 4 (four) meetings on May 18, 2019, August 10, 2019, November 14, 2019 and

February13, 2020.

Attendance at the Audit Committee Meetings:

Name of the director	Position	No. of meetings held	No. of meetings attended
Mr. P.R.Tripathi	Chairman	4	4
Mr. Anil Kumar Mehta	Member	4	4
Mr. K. Rama Rao	Member	4	4

4. Nomination and remuneration committee

a. Brief description of terms of reference:

- Formulation of the criteria for determining qualifications, positive attributes and Independence of a Director and recommending to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other Senior Employees

- Formulation of criteria for evaluation of Independent Directors and the Board of Directors
- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to the Board their appointment and removal
- Devising a policy on Board Diversity
- Extension or continuing the term of appointment of the Independent Director, on the basis of the report of the performance evaluation of independent directors
- Recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees.

  Undertaking other matters as the Board may refer from time to time.

b. Composition, members and chairperson

The Nomination and Remuneration Committee was constituted by the Board with three non-executive, independent directors. The Committee is headed by Mr. P.R. Tripathi, an Independent Director. The composition of the Nomination and Remuneration committee:

Name of the director	Position
Mr. P.R.Tripathi	Chairman
Mr. Anil Kumar Mehta	Member
Mr. K. Rama Rao	Member

c. Committee meetings and attendance during the year

During the year, the Committee held 3 (three) meetings on 18th May, 2019, 10th August, 2019 and 13th February, 2020.

Name of the director	Position	No. of meetings held	No. of meetings attended
Mr. P.R.Tripathi	Chairman	3	3
Mr. Anil Kumar Mehta	Member	3	3
Mr. K. Rama Rao	Member	3	3

d. Nomination and Remuneration policy

- The compensation of the Executive Directors comprises of a fixed component and performance bonus. The compensation is determined based on the remuneration prevailing in the industry and the performance of the company. The remuneration package of the executive Directors is periodically reviewed and suitable revision is recommended to the Board by the Committee.
- The Non-Executive Directors are paid sitting fees for attending the meetings of the Board / Committees.

e. Criteria for performance evaluation

Performance evaluation criteria for Independent Directors

The performance evaluation criteria for independent directors are determined by the Nomination and Remuneration committee. Factors of evaluation include participation and contribution by a director, commitment, effective deployment of knowledge and expertise, integrity and maintenance of confidentiality and independence of behaviour and judgement.

Executive Directors

Performance of the Executive Directors is evaluated on broad criteria such as contribution and value addition to the Board and Committees thereof; contribution to the Company and management to achieve its plans, goals, corporate strategy and risk mitigation; level of participation in the Board and Committee meetings, etc. Director being evaluated does not participate in the evaluation process. The performance of Board as a whole is evaluated by the Independent Directors on the basis of its duties and responsibilities as per terms of reference. The Chairman's performance is evaluated by Independent Directors on the above parameters after taking into account the views of Executive and Non-Executive Directors.

5. **Meeting of Independent Directors**

A separate meeting of Independent Directors of the Company was held on 20th February, 2020. At the meeting, the Independent Directors reviewed the performance of the Non-Independent Directors and the Board as a whole; reviewed the performance of the Chairman of the Company, taking into account the views of the Executive and Non executive Directors and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors expressed their satisfaction with the overall performance of the Directors and the Board as a whole.

6. **Succession planning**

The Nomination and Remuneration Committee works with the Board on succession plan to ensure orderly succession in appointments to the Board and in the senior management. The Company strives to maintain an appropriate balance of skills and experience within the Board of Directors and the organisation.

7. **Remuneration of Directors**

a. There were no pecuniary transactions with any non-executive director of the Company.

b. Apart from the sitting fees, Non executive directors are not paid any remuneration. The details of the sitting fees paid to the Directors for attending Board and Committee Meetings during the year 2019-20 are as follows:

S. No.	Name of the Director	Amount of Sitting fees (Rs. in lakhs)
1.	Dr. (Mrs.) Kailash Gupta	1.90
2.	Mr. Anil Kumar Mehta	2.40
3.	Mr. P.R.Tripathi	1.50
4.	Mr. K. Rama Rao	1.40
5.	Dr. A. Venkataraman	0.80
6	Lt.Gen. P.R.Kumar (Retd)	0.60

c. Disclosures with respect to remuneration

i. The Remuneration paid to whole time directors is as follows:

S. No.	Name of the director	Salary & allowances	Benefits	Commission	Bonus	Pension	Total
Executive directors							
1	Dr. A.N.Gupta	247.94	37.19	-	-	-	285.13
2	Mr. T.V.Chowdary	86.47	10.56	-	-	-	97.03
3	Mr. Y. Durga Prasad Rao	21.33	3.39	-	-	-	24.72
Total		**355.73**	**51.14**	-	-	-	**406.88**

ii. A fixed remuneration shall comprise of basic salary and other allowances like house rent allowance, conveyance allowance, etc., which are calculated as certain percent of basic salary.

iii. Variable remuneration It is paid to encourage the employees to achieve set targets and variable remuneration shall be determined on the following basis:

Category	Nature	Basis of variable remuneration
Whole time Directors	Commission	X% of Profit in a year during the contract period (% as recommended by Board and approved by Shareholders

iv. All the whole time directors have been appointed for a term of three years in accordance with the terms and conditions contained in the resolutions passed by the Members in the General Meeting.

There is no severance fees and stock option plan for the Executive/Non Executive Directors. The appointment of Chairman & Managing Director, Deputy Managing Director and Whole Time Directors is made for a period of three years on the terms and conditions contained in the respective resolutions passed by the Members in the General Meeting.

8. Stakeholders Relationship Committee

a. Composition of the committee

The committee consists of 2 non-executive directors and one executive director. Chairman is a non-executive Independent director.

Name of the director	Position
Mr. Anil Kumar Mehta	Chairman (Non Executive-Independent)
Mr. T.V.Chowdary	Member (Executive)
Dr. (Mrs.) Kailash Gupta	Member (Non Executive-Non Independent)

b. Name and designation of the Compliance Officer

Ms. K. Vijayashree, Company Secretary till 22.05.2020 and Mrs. K. Jhansi Laxmi, Company Secretary w.e.f. 11.09.2020

c. Number of Shareholder's complaints received

During the year under review, the Company has received a total of 15 complaints from Shareholders and all were resolved during the year.

d. Number of complaints not resolved to the satisfaction of shareholders is Nil

e. There were no pending complaints as at the year ended 31st of March, 2020.

Terms of Reference

The Stakeholders Relationship Committee oversees and reviews all matters connected with the securities transfer and also looks into redressing of shareholders complaints like transfer/transmission of shares, non-receipt of annual reports / dividends etc.

As per Section 178(7) of the Act and Secretarial Standards, the Chairman of the Committee or in his absence, any other Member of the Committee authorized by him in this behalf shall attend the General Meetings of the Company. The Chairman of the Committee, Mr. Anil Kumar Mehta was present at the 39th Annual General Meeting of the Company held on 25th September, 2019.

Email ID for Investor Grievances: investors@pelgel.com

9. Corporate Social Responsibility Committee

The Company has set up a CSR Committee to, inter alia

– Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified by law

– Recommend the amount of expenditure to be incurred on the activities specified and

– Monitor the Corporate Social Responsibility Policy of the company from time to time.

a. **Composition, members and chairperson**

The committee consists of 2 (two) Non Executive Directors and 1 (one) Executive Director. Chairman is Non Executive-Independent Director.

Name of the director	Position
Mr. P.R.Tripathi	Chairman
Mr. T.V.Chowdary	Member
Dr. (Mrs.) Kailash Gupta	Member

b. Committee meetings and attendance during the year

During the year the Committee held one meeting on 10th August, 2019.

Name of the director	Position	No. of meetings held	No. of meetings attended
Mr. P.R.Tripathi	Chairman	1	1
Mr. T.V.Chowdary	Member	1	1
Dr.(Mrs.) Kailash Gupta	Member	1	1

A detailed overview of the CSR initiatives of the Company is published elsewhere in the Annual Report.

10. General body meetings

a. Details of the last three AGMs are as follows

Year	Date	Venue	Time	No. of special resolutions passed
2016-17	27.09.2017	Surana Udyog Auditorium, FTAPCCI, 11-6-841, Red Hills, Hyderabad -500 004	10.30 a.m.	Nil
2017-18	27.09.2018		10.30 am	1
2018-19	25-09-2019		11.00.a.m	6

b. Special resolutions passed during the previous three Annual General Meetings

39th Annual General Meeting – September 25, 2019

– Reappointment of Mr. P.R. Tripathi (DIN:00376429) as Independent Director

– Reappointment of Mr. Anil Kumar Mehta (DIN:00040517) as Independent Director

– Reappointment of Mr. K. Rama Rao (DIN:02678860) as Independent Director

– Reappointment of Dr. A. Venkataraman (DIN: 02669952) as Independent Director

– Reappointment of Mr. T.V. Chowdary (DIN:00054220) as Deputy Managing Director

– Appointment of Mr. Y. Durga Prasad Rao (DIN:08072805) as Director (Operations)

38th Annual General Meeting – September 27, 2018

– Reappointment of Dr. Amar Nath Gupta as Chairman and Managing Director

37th Annual General Meeting – September 27, 2017

– No Special Resolutions were passed

c. Details of the EGMs held during the year 2019-20: None

d. Postal ballot resolutions

No business was transacted through postal ballot in the last year and there are no special resolution proposed to be conducted through postal ballot.

None of the businesses proposed to be transacted at the ensuing AGM requires passing of a special resolution through postal ballot.

11. Means of communication

Quarterly, half yearly and annual financial results of the Company are communicated to the Stock Exchanges immediately after the same are considered by the Board and are published in Business Standard (English) and Nava Telangana (Telugu). The results and presentations made to the Investors/analysts are placed on the Company's website: www.pelgel.com

12. General shareholder information

a.	**40th AGM, date, time and Mode**	Thursday, the 19th November 2020 at 11.30 a.m. Mode: audio-visual means

b. Financial year: April 1, 2020 to March 31, 2021

Tentative schedule for considering financial results:

For the quarter ended June 30, 2020:	September, 2020
For the quarter ending September 30, 2020:	October/November, 2020
For the quarter ending December 31, 2020:	January/February, 2021
For the quarter / year ending March 31, 2021:	April/May, 2021

Book Closure dates

The dates for book closure are from 13th November, 2020 to 19th November, 2020 (both days inclusive)

c. **Dividend payment date: NA**

d. **Listing on stock exchanges**

The Company's equity shares are listed at

Name and Address of the Stock Exchange	Stock Code
BSE Limited Phiroze Jeejeebhoy Towers, Dalal street, Mumbai-400001	526247
National Stock Exchange of India Limited Exchange Plaza, Floor 5, Plot No. C/1, Bandra Kurla Complex, Bandra (East), Mumbai-400051	PREMEXPLN EQ

The listing fees for the year 2019-20 have been paid to the above stock exchanges.

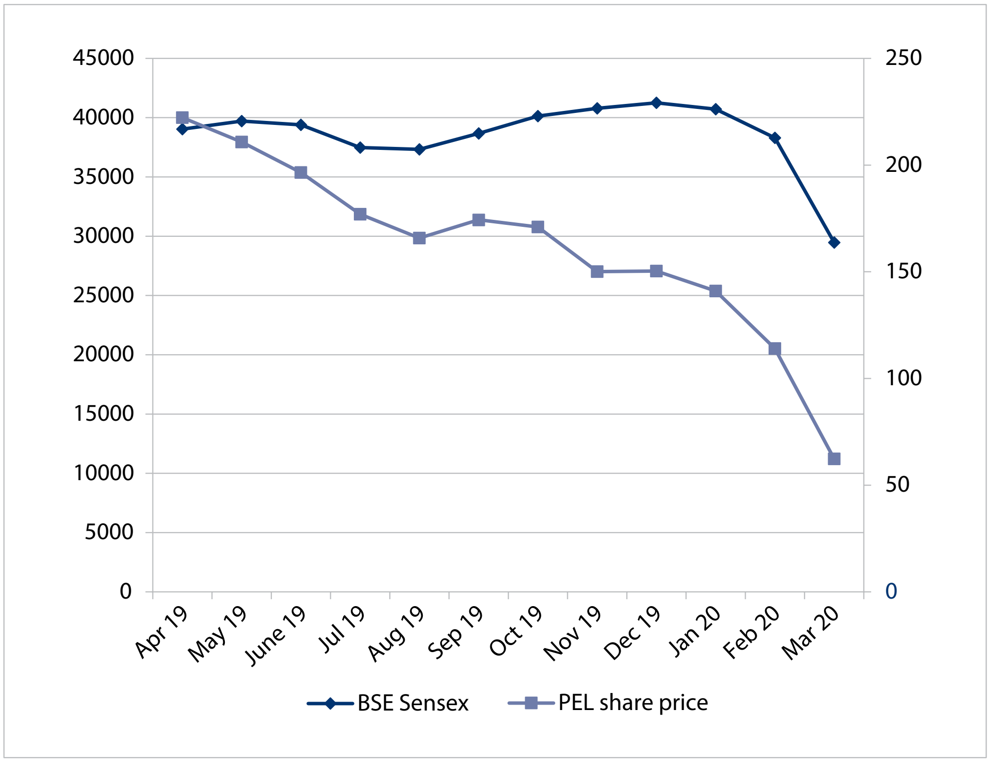
e. **Market price Data - High / Low during each month during the year 2019-20 Monthly high and low quotations on the BSE Limited (BSE)**

	High	Low		High	Low
Apr-19	260.20	221.50	Oct-19	184.50	165.00
May-19	235.00	201.15	Nov-19	179.35	150.00
Jun-19	236.00	184.00	Dec-19	158.90	129.25
Jul-19	204.15	166.30	Jan-20	171.25	140.50
Aug-19	177.00	150.00	Feb-20	153.80	111.35
Sep-19	195.75	152.15	Mar-20	115.70	56.50

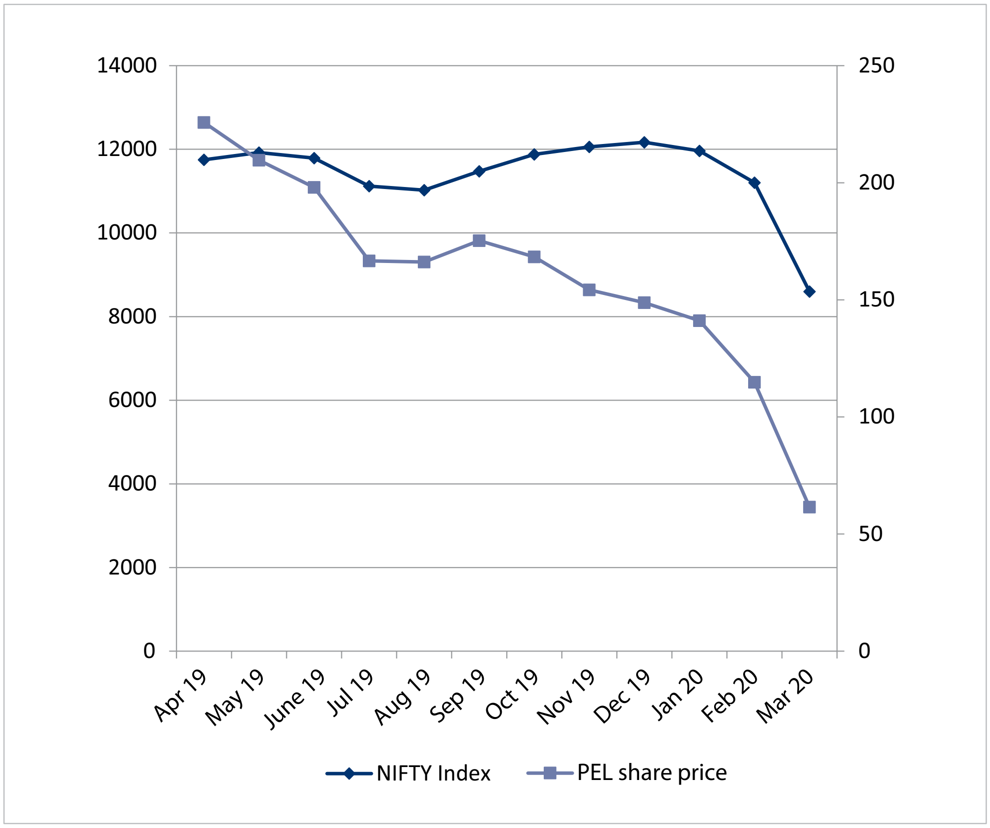
National Stock Exchange of India Limited (NSE)

	High	Low		High	Low
Apr-19	260.05	225.00	Oct-19	183.55	163.05
May-19	234.10	200.20	Nov-19	175.00	148.55
Jun-19	235.75	180.10	Dec-19	156.70	129.00
Jul-19	205.00	164.00	Jan-20	169.00	140.05
Aug-19	174.80	148.25	Feb-20	154.00	112.20
Sep-19	198.00	161.15	Mar-20	122.95	55.10

f. **Share price movement of the Company in comparison to the BSE Sensex is as follows**



Share price movement of the Company in comparison to the Nifty is as follows



g. There was no suspension of trading in Securities of the Company during the year under review.

h. Registrar to an issue and Share Transfer Agents

(for shares held in both physical and demat mode)

M/s. KFin Technologies Private Limited

Selenium Building, Tower B, Plot No.31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally, Hyderabad-500032

Ph:040-6716 1606/1776

Toll free No.:1800 3454001

Email: einward.ris@kfintech.com

www.kfintech.com

i. Share transfer system

The physical share transfers and transmissions were processed and the share certificates are returned to the shareholders within a maximum period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. The company obtains from a Company Secretary in practice, half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and files a copy of the said certificate with the Stock Exchanges.

j. Distribution of shareholding as on 31.03.2020

S. No	Category	Cases	% of Cases	Amount of Equity share capital	% of Equity share capital
1	1 –5,000	9,049	89.75	1,04,76,710	9.74
2	5,001 – 10,000	512	5.08	40,16,580	3.74
3	10,001 – 20,000	264	2.62	39,75,240	3.70
4	20,001 – 30,000	69	0.68	17,70,150	1.65
5	30,001 – 40,000	38	0.38	13,57,830	1.26
6	40,001 – 50,000	17	0.17	7,66,890	0.71
7	50,001 – 1,00,000	56	0.56	41,05,450	3.82
8	1,00,001 and above	78	0.77	8,10,53,540	75.38
	Total	**10,083**	**100.00**	**10,75,22,390**	**100.00**

Distribution of shareholding as on March 31, 2020

Category	No of shares	% of shareholding
Promoters	44,44,347	41.33
Mutual Funds	13,72,161	12.76
Foreign Portfolio Investors	69,796	0.65
Resident Individuals	36,81,325	34.25
Non Resident Indians	4,16,183	3.87
Clearing Members	5,138	0.05
Financial Institutions	323	0.00
Bodies Corporate	4,90,364	4.56
IEPF	73,287	0.68
HUF	1,99,315	1.85
Total	**1,07,52,239**	**100.00**

k. Dematerialisation of shares and liquidity

The Company's shares are tradable in the electronic form only. The International Securities Identification Number (ISIN) allotted to your shares under the Depository system is INE863B01011. As on 31st March, 2020, 98.70% of your shares were held in dematerialized form and the rest in physical form.

Shares held in demat and physical mode (folio-based) as on March 31, 2020 are as follows:

Mode of holding	No. of holders	No. of shares	% to Equity
Physical	711	1,39,672	1.30
Demat	9,372	1,06,12,567	98.70
Total	10,083	1,07,52,239	100.00

SEBI, effective from April 01, 2019, barred physical transfer of shares of listed companies and mandated transfers only through demat. However, investors are not barred from holding shares in physical form.

We request shareholders whose shares are in the physical mode to dematerialize their shares and update their bank accounts and email IDs with the respective depository participants to enable us to provide better service.

l. Outstanding GDRs/ADRs/Warrants or any convertible Instruments, conversion date and likely impact on equity

The company has not issued any GDRs/ADRs. There were no outstanding Convertible instruments as on 31.03.2020.

m. Commodity price risk or Foreign exchange risk and hedging activities

The Company is not carrying on any commodity business and has also not undertaken any hedging activities. Hence the same are not applicable to the Company.

n. Plant locations

Plant	Location
Detonators, Detonating fuse, Packaged explosives, Research centre for defence products, Solid propellants	Peddakandukuru Village, Yadagirigutta Mandal, Yadardri Bhuvanagiri District, Telangana
Solid Propellants, RDX/HMX, Ammunition, warheads, mines bombs	Greenfield project at Katepally, (under construction)
Bulk explosives	1. C-16, MIDC, Gugus Road, Chandrapur,Maharashtra
	2. Manuguru, Kothagudem District, Telangana
	3. Plot No.42, Industrial Area, Udyog Deep, Waidhan, Sidhi District, Madhya Pradesh
	4. Godavarikhani, Peddapalli District, Telangana
	5. 116,Melpathi, Mandarakuppam, Neyveli Block, 29 Cuddalore, Tamilnadu

o. Address for correspondence

PREMIER EXPLOSIVES LIMITED,
'Premier House', 11, Ishaq Colony,
Near AOC Centre, Secunderabad-500015, Telangana
Ph: 040-66146801-3, Fax: 040-27843431
E-mail: investors@pelgel.com
Website: www.pelgel.com

p. Credit ratings

ICRA Limited has revised the credit rating outlook for Line of Credit (LOC) of the Company, long-term credit rating to '[ICRA] [A-] (Negative)' from '[ICRA]A (Stable)' and short term credit rating has been retained at [ICRA] [A2+]. These ratings are valid till December 19, 2020.

13. Other disclosures

a. Related party transactions

Transactions with related parties are disclosed in the Notes to Accounts in the Financial Statements.

All related party transactions are entered into by the Company only after obtaining the prior approval of the Audit Committee and the Board of Directors and are entered into on arm's length basis. During the year, there are no materially significant related party transactions that may have potential conflict with the interests of Company at large.

Related party transactions entered during the year 2019-20 have been at Arm's length basis and reported in Form AoC-2 attached as Annexure -7 to the Board's Report

b. Capital market compliances

During the last three years, there were no instances of non-compliance, penalties, strictures imposed by stock exchange or by SEBI or by any statutory authority on any matter related to capital markets.

c. Details of establishment of Vigil mechanism (Whistle blower policy)

The Board of Directors of the Company had adopted Whistle blower policy and the Company has established an innovative and empowering mechanism for employees. Employees can report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

No personnel have been denied access to the audit committee. A copy of the whistleblower policy is available on the website:

http://www.pelgel.com/pwb.html

The designated person had not received any complaint during the financial year ended 31st March, 2020

d. Compliance with mandatory requirements and adoption of the non mandatory requirements

The company has complied with all mandatory requirements of Corporate Governance as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The non mandatory requirements will be adopted on a need basis.

e. The Company has formulated a policy on material subsidiaries and the details of such policy are available on the Company's website at: http://www.pelgel.com/prp.html

f. The Company has formulated a policy for determining the material related party transactions and the details of such policy are available on the Company's website at: http://www.pelgel.com/prp.html

g. Accounting principles

In preparation of financial statements, the company has followed the accounting principles generally accepted in India, including Indian Accounting Standards specified u/s 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The accounting policies which are consistently applied have been set out in the notes to the financial statements.

h. Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A)

During the year ended March 31, 2020, the company has raised Rs. 'nil' (During the year ended March 31, 2019, ₹ 341.21 lakhs were raised through preferential allotment primarily for Business expansion, working capital and any other purposes as may be permissible under applicable law).

(Rs. in lakhs)

Utilisation of funds	For the year ended March 31, 2020	For the year ended March 31, 2019
Business expansion & Working capital utilisation	1,659.95	1492.48

i. Certificate from PCS under sub-para 10(i) of Part C of Schedule V of the Listing Regulations

A Certificate from a Practicing Company Secretary stating that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of Company by SEBI or Ministry of Corporate Affairs or any such statutory authority is enclosed to this report.

j. Confirmation by the Board of Directors' acceptance of recommendation of mandatory committees

In terms of the amended SEBI Listing Regulations, the Board of Directors of the Company, confirm that during the year under review, it has accepted all recommendations received from its mandatory committees.

k. Details of total fees paid to the Statutory Auditors of the Company

For the year 2019-20, the company paid the following amounts to its Statutory Auditors, M/s. Majeti & Co., Chartered Accountants. They are not auditors for any of the group companies and they are also not part of any network of audit firms.

S. No.	Description of fees paid	Amount (Rs. in lakhs)
1	Statutory audit fees paid	7.50
2	Fee paid for quarterly reviews	6.75
3	Fee paid for certifications	2.40
4	Fee paid for attestation services	3.00
5	Reimbursement of expenses	1.38
	Total fees paid	**21.03**

l. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has complied with the applicable provisions of the aforesaid Act and the Rules framed thereunder, including constitution of the Internal Complaints Committee (ICC). The details of number of complaints filed and disposed of during the year and pending as on March 31, 2020 are given in the Directors' report.

m. The Company has complied with the requirements of the Schedule V-Corporate Governance report sub-paras (2) to (10) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

n. The Company has complied with Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub regulation (2) of regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 wherever applicable, as on 31st March, 2020.

14. Subsidiary companies

Regulation 16 of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year,

The Company does not have any material unlisted subsidiary in India. The minutes of the Board Meetings of the subsidiary is periodically placed at the Board Meeting of the Company.

15. Code of conduct

The Board has laid down a Code of Conduct covering the ethical requirement to be complied with covering all the Board Members and Senior Management Personnel of the Company. All Board members and senior managerial personnel have affirmed compliance with the code of conduct. A declaration to this effect is signed by the Chairman & Managing Director is annexed to this report.

16. CEO and CFO certification

The Chairman & Managing Director and the CFO have given a Certificate to the Board as contemplated in Schedule – V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is separately annexed.

17. Transfer of shares to Investor Education and Protection Fund (IEPF)

As per the provisions of Section 124 of the Companies Act, 2013, shares of the shareholders, who have not claimed dividends for a continuous period of 7 years, shall be transferred to Investor Education and Protection Fund Authority Account.

Accordingly, the Company has transferred 12,902 equity shares into Investor Education and Protection Fund Authority Account during the financial year ended March 31, 2020.

II. A compliance certificate from the Auditors regarding compliance with conditions of Corporate Governance is annexed with the Directors' report.

III. Disclosure with respect to Demat suspense account/unclaimed suspense account.

There are no shares in the Demat suspense account or unclaimed suspense account; hence the disclosure is not applicable.

This report has been approved by the Board of Directors in its meeting held on 11.09.2020.

For and on behalf of the Board

Secunderabad
11.09.2020

Dr. A.N.Gupta
Chairman & Managing Director
DIN: 00053985

Declaration

As provided under Schedule-V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the members of Board of directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2020.

For Premier Explosives Limited

Secunderabad
11.09.2020

Dr. A.N.Gupta
Chairman & Managing Director
DIN: 00053985

Appendix to the report on corporate governance

Details of directors seeking appointment / re-appointment at the Annual General Meeting

Particulars	Mr. T.V. Chowdary
Date of birth	16.08.1957
Date of appointment	31.08.2005
Qualifications	B.Sc.Tech (Petroleum)
Expertise in specific function areas	A chemical engineer with over 35 years of experience in production of explosives and solid propellants
Directorships held in other companies	Premier Wire Products Limited Octane Chemicals Private Limited BF Premier Energy Systems Private Limited Pelnext Defence Systems Private Limited Godavari Explosives Limited (ceased to be director w.e.f. October 3, 2019
Memberships / Chairmanships of Committees of other companies (include only Audit Committee / Investor Grievances Committee)	None
No. of shares held in the company as on 31st March, 2020	34,207
Relationship with other directors	None

ANNEXURE – 3

Independent Auditors' Certificate on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Members of

PREMIER EXPLOSIVES LIMITED

1. This certificate is issued in accordance with the terms of our engagement letter dated November 14, 2019.
2. This report contains details of compliance of conditions of Corporate Governance by Premier Explosives Limited ('the Company'), for the year ended on March 31, 2020, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations"), pursuant to listing agreement with Stock exchanges.

Management's Responsibility

3. The compliance with the conditions of Corporate Governance is the responsibility of the Management of the Company. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations.

Auditor's Responsibility

4. Our responsibility was limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. Pursuant to the requirements of the SEBI Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in SEBI Listing Regulations for the year ended March 31, 2020.
6. We conducted our examination in accordance with the Guidance Note on Certificates for Special purposes, Guidance note on Certificate of Corporate Governance, both issued by the Institute of the Chartered Accountants of India (the "ICAI") and the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

8. In our opinion, and to the best of our information and according to explanations given to us and the representation provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI Listing Regulations.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restriction on Use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For MAJETI & CO.
Chartered Accountants
Firm's Registration number: 0159758

Kiran Majeti
Partner
Membership number: 220354
UDIN No. 20220354AAAABN4379

Hyderabad
11.09.2020

ANNEXURE – 4

CEO and CFO Certification

To the Board of Directors of Premier Explosives Limited

We, Dr. A.N. Gupta, Chairman and Managing Director and C. Subba Rao, Chief Financial Officer responsible for the finance function, hereby certify that

A. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2020 and to the best of our knowledge and belief

   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   2. these statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year ended 31st March, 2020 are fraudulent, illegal or violative of the company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.

D. We have indicated to the Auditors and Audit Committee

   1. significant changes in internal control over financial reporting during the year

   2. significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and

   3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or any employee having significant role in the company's internal control system over financial reporting.

Secunderabad	**Dr. A. N. Gupta**	**C. Subba Rao**
11.09.2020	**Chairman & Managing Director**	**Chief Financial Officer**

PRACTICING COMPANY SECRETARY CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
Premier Explosives Limited
Hyderabad

Sub: Certificate under Schedule V(C)(10)(i) of SEBI (Listing Obligations and Disclosure Requirements), 2015

I, .K.V.Chalama Reddy, Practicing Company Secretary have examined the Company and Registrar of Companies records, books and papers of Premier Explosives Limited (CIN: L24110TG1980PLC002633) having its Registered Office at 'Premier House, #11 Ishaq Colony, Near AOC Centre, Secunderabad-500015, Telangana State, India (the Company) as required to be maintained under the Companies Act, 2013, SEBI Regulations, other applicable rules and regulations made thereunder for the Financial Year ended on March 31, 2020.

In my opinion and to the best of my information and according to the examinations carried out by me and explanations and representation furnished to me by the Company, its officers and agents, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority as on March 31, 2020:

List of Directors of the Company as on 31st March, 2020:

Sl.No.	DIN	Name of the director	Designation
1	00053985	Dr. Amar Nath Gupta	Chairman & Managing Director
2	00054220	Mr. Tripuraneni Venkaiah Chowdary	Deputy Managing Director
3	08072805	Mr.Y.Durga Prasad Rao	Director (Operations)
4	00054045	Dr. (Mrs.) Kailash Gupta	Non Executive and Non Independent Director
5	02678860	Mr.K.Rama Rao	Independent Director
6	00040517	Mr. Anil kumar Mehta	Independent Director
7	00376429	Mr. P.R.Tripathi	Independent Director
8	02669952	Dr. A.Venkataraman	Independent Director
9	07352541	Lt.Gen. Peruvemba Ramachandran Kumar	Independent Director

K.V.Chalama Reddy
Practising Company Secretary
UDIN number: F009268B000698649

Place: Hyderabad
Date: 11.09.2020

ANNEXURE – 5

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31-03-2020
FORM NO.MR- 3

(Pursuant to Section 204 (1) of the Companies Act, 2013 and the Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To
The Members,
M/s. Premier Explosives Limited

I have conducted Secretarial Audit pursuant to Section 204 of the Companies Act 2013, on the compliance of applicable Statutory Provisions and the adherence to good corporate practices by Premier Explosives Limited (hereinafter called as **"the Company"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

1. Based on our verification of the books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided and explanations furnished and representations made to us by the Company, its officers, agents and authorized representatives and according to the examinations carried out by us, during the conduct of Secretarial Audit, I hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

2. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 ("Audit Period") according to the provisions of:

   i. The Companies Act, 2013 (the Act) and the rules made thereunder;

   ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

   iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

   iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; Not applicable during the audit period

   v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

      a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; the company has complied with yearly and event based disclosures.

      b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Amended Regulations 2018;

      c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; Not applicable during the audit period.

      d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; Not applicable during the audit period

      e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2019. Not applicable during the audit period

      f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

      g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2018; Not applicable during the audit period

      h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 ; Not applicable during the audit period *and*

      i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

vi. **The following other industry specific acts as applicable to the Company**

a. The Explosives Act, 1884 and Rules and notifications made there under;

b. The Electricity Act, 2003 and rules and regulations made there under.

I have also examined compliance of Secretarial Standards issued by the institute of Company Secretaries of India in respect of board and general meetings of the Company.

During the period under review, the Company has complied with the provisions of the applicable Acts, Rules, Regulations, Guidelines and standards etc., as mentioned above.

3. I, further report that:

   a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent directors. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act and the rules made there under.

   b. Adequate Notice is given to all the Directors to schedule the Board Meetings. Agenda and detailed notes on agenda were being sent at least 7 days in advance, wherever possible. There is adequate system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through and there were no instances of dissenting members in the Board of Directors.

4. I, further report that there exist adequate systems and processes in the Company that are commensurate with the size and operations of the Company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

5. The compliance by the Company of applicable financial laws such as Direct and Indirect tax laws have not been reviewed thoroughly in this audit, since the same have been subject to review by Statutory Financial Auditor and other designated professionals.

6. I, further report that during the audit period, there were no specific events/actions in pursuance of the above referred laws, rules, regulations and guidelines having a major bearing on the company's affairs.

K . V . Chalama Reddy
Practising Company Secratary
M. No: F 9268, C.P No: 5451
UDIN: F009268B000698541

Place: Hyderabad
Date: 11.09.2020

Note: This report is to be read with my letter of even date which is given as Annexure 'A' and forms an integral part of this report.

'ANNEXURE A'

To,
The Members
M/s. Premier Explosives Limited
Secunderabad

My report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

K . V . Chalama Reddy
Practising Company Secratary
M. No: F 9268, C.P No: 5451
UDIN: F009268B000698541

Place: Hyderabad
Date: 11.09.2020

ANNEXURE – 6

Information on Conservation of Energy, Technology absorption, Foreign exchange earnings and outgo required to be disclosed under Section 134 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014

Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo

A	**Conservation of energy (Form 'A')**			This is not applicable to the company	
B	**Technology absorption (Form 'B')**				
	a)	Research & Development			
		1.	Specific areas in which R & D carried out by the company	Development of specialised high energy chemicals	
		2.	Benefits derived as a result of above R & D	Commercializing the in-house developed products	
		3.	Future plan of action	To continuously improve existing products and develop cost effective processes	
		4.	Expenditure on R & D (Rs. in lakhs)	**2019-20**	2018-19
			Capital	142.97	26.71
			Recurring	91.23	90.70
			Total	**234.20**	**117.41**
			R & D expenditure as % of total revenue	1.48%	0.48%
	b)	Technology absorption, adaptation and innovation		New products were developed	
		1.	Efforts	Successfully started commercial production of new	
		2.	Benefits	products	
		3.	Particulars of imported technology in the last five years	No technology imported	

(Rs. in lakhs)

C	**Foreign exchange earnings and outgo**	**2019-20**	2018-19
	Earnings	809.19	601.22
	Outgo	2882.18	2976.34

For and on behalf of the Board

Secunderabad
11.09.2020

Dr. A. N. Gupta
Chairman & Managing Director
DIN: 00053985

ANNEXURE – 7

Particulars of contracts or arrangements with related parties [section 188 (1)] in Form AOC-2 [Chapter IX - Rule 8.4]

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business.

There were no materially significant related party transactions made by the company.

Form no. AOC-2

(Pursuant to clause (h) of sub-section (3)of section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1	**Details of contracts or arrangements or transactions not at arm's length basis**:		No such transactions
2	**Details of contracts or arrangements or transactions at arm's length basis**:		
	a)	Name(s) of the related party and nature of relationship	Premier Wire Products Limited, a subsidiary company
	b)	Nature of contracts / arrangements / transactions	Purchase of GI wire / binding wire and Payment of rent
	c)	Duration of the contracts / arrangements / transactions	April 2019 –March 2020
	d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Purchase of GI wire / binding wire: Rs. 85.84 lakhs and Payment of rent: Rs.1.19 lakhs
	e)	Date(s) of approval by the Board, if any	Not applicable
	f)	Amount paid as advances, if any	NIL

ANNEXURE – 8

Annual report on corporate social responsibility (CSR) activities

1. A brief outline of the company's CSR policy

The Board has formulated a CSR policy with the main objective that "The company shall undertake the CSR activities that help the surrounding communities, possible within its means and meeting regulatory requirements."

Details of the policy can be seen at the company's website: http://www.pelgel.com/codconcsr.htm

2. Composition of CSR committee

The Board has appointed a CSR Committee with the following directors as the members of the committee:

a) Mr. P.R. Tripathi, Chairman (Independent director)

b) Dr. (Mrs.) Kailash Gupta, Member (Non-executive, non-independent director)

c) Mr. T. V. Chowdary, Member (Deputy Managing Director)

3. Average net profit for the last three financial years

Average net profit for the last 3 financial years as calculated u/s 198 (1) of the Companies Act, 2013 is Rs. 1957.67 lakhs.

4. CSR expenditure prescribed for 2019-20

Minimum amount to be spent on CSR activities for the year 2019-20 as calculated u/s 135(5) of the Companies Act, 2013, being 2% of the average net profit for last 3 years, is Rs. 39.15 lakhs.

5. Details of CSR spend for 2019-20

a) Total amount spent: Rs. 39.49 lakhs

b) Amount unspent : NIL

c) Manner the amount has been spent (Rs. in lakhs)

No.	Project / activity	Sector	Location of the project / programme	Budget amount	Amount spent	Cumulative expenditure up to the reporting period	Spent directly by company or through implementation agency
1	Mobile medical unit attending to elderly people	Health care	10 villages in Bhuvangiri Yadadri district, Telangana (nearby the factory)	24.41	22.50	22.50	Through Helpage India
2	Strengthening fight against Covid-19	Health care	India	-	2.00	2.00	Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)
3	Prevention and treatment of haemophilia	Health care	Puducherry	5.00	5.00	5.00	Through Haemophilia Society Puducherry Chapter
4	Health camps for medical check up and provision of medicines	Health care	Telangana State	-	0.25	0.25	Through Red Cross Society
5	Stipend to research students	Education	Gulbarga University and Peddakandukuru	4.20	4.20	4.20	Through Gulbarga University
6	Support to schools and merit scholarships	Education	4 villages in Yadagirigutta mandal (nearby the factory)	1.54	1.54	1.54	Directly by company
7	Support to Women empowerment	Women empowerment	Hyderabad	1.00	1.00	1.00	Through Society for Aged and Women
8	Support to Women safety	Women safety	Yadagiri Mandal	2.50	2.50	2.50	Through Yadadri Vision Social Services
9	Protect environment	Environmental sustainability	Alair municipality	0.50	0.50	0.50	Through Alair Municipal Office
	Total			**39.15**	**39.49**	**39.49**	

We hereby affirm that the implementation and monitoring of the CSR project / activities is in compliance with the CSR objectives and CSR policy of the company.

Secunderabad	**P.R. Tripathi**	**Kailash Gupta**
11.09.2020	**Chairman of the CSR Committee**	**Director**

ANNEXURE – 9

Summary of awareness programmes and complaints prepared in terms of Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013

Particulars	Fourth calendar year (01.01.2019 to 31.12.2019)	From 01.01.2020 till date of the report
No. of complaints of sexual harassment received during the year	1	-
No. of complaints of disposed off during the year	1	-
No. of cases pending for more than 90 days	-	-
No. of workshops or awareness programmes carried out against sexual harassment	2	1
Nature of action taken by the employer or district officer	On receipt of the complaint, the employer forwarded it to the Internal Complaints Committee of the Company and suspended the accused from duty. During the Enquiry process, both the complainant and accused were asked to attend the enquiry, but both of them did not appear before the committee subsequently. Later the company came to know that the complainant had lodged a case with Police against the accused in individual capacity. The accused was arrested and later released on bail. At the request of the accused, the Company had revoked the suspension and transferred him to a different unit. The complainant has not been reporting to duty even after lapse of the sanctioned leave and despite many reminders. Now the matter is before the Court of Honourable Judicial First Class Magistrate, between the two individuals.	-

ANNEXURE – 10

Particulars of remuneration and other disclosures

I. Information as per Rule 5(1) of Chapter XIII of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

A. Ratio of remuneration of the directors and key managerial personnel to the median remuneration of the employees of the company

	Name	Designation	Amount of remuneration paid for the year (Rs. in lakhs)		Increase / (decrease) (Rs. in lakhs)	Increase / (decrease) %	Ratio to median remuneration of employees
			2019-20	2018-19			
1	Dr. A.N.Gupta	Chairman and Managing Director	285.13	278.79	6.34	2.27%	89.95
2	Mr. T.V. Chowdary	Deputy Managing Director	97.03	80.95	16.08	19.85%	30.61
3	Mr. Y. Durga Prasad Rao (w.e.f. 10.08.2019)	Director Operations	24.72	-	24.72	100.00%	7.80
4	Mr. C. Subba Rao	Chief Financial Officer (KMP)	38.71	37.50	1.21	3.23%	12.21
5	Ms. K. Vijayasree	Company Secretary (KMP)	11.32	10.45	0.87	8.33%	3.57

2. Median remuneration of the employees was Rs.3.17 lakhs during the 2019-20 and Rs. 3.18 lakhs during 2018-19.
3. Median remuneration of employees during 2019-20 has remained static compared to the amount during 2018-19.
4. Number of permanent employees on the rolls of the company as on 31.03.2020 was 1,103 (1,075 as on 31.03.2019).
5. Remuneration has been paid as per remuneration policy.

II. Information as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

a. Particulars of top ten employees in terms of remuneration and also who were in receipt of remuneration not less than Rs. 102 lakhs per annum or Rs. 8.50 lakhs per month during the year 2019-20

No.	Employee name	Designation	Remune-ration (Rs. in lakhs)	Nature of employment - contractual or otherwise	Qualification, Date of joining, Experience, Date of birth and Age	Last employment and designation	No. and % of equity shares held at year-end	Relationship to any other director
1	Dr. A.N.Gupta	Chairman and Managing Director	285.13	Contractual	M.Sc., D.Sc., 14-Feb-80 53 years 14-Apr-45 75 years	I.E.L. Limited, Area Sales Manager	26,05,086 24.23%	Dr. (Mrs.) Kailash Gupta is his wife
2	Mr. T.V.Chowdary	Deputy Managing Director	97.03	Contractual	B.Sc. (Tech) & (Petroleum) 25-May-89 38 years 16-Aug-57 63 years	STP Limited Production Manager	34,207 0.30%	None
3	Mr. Y.Durga Prasada Rao	President (production) upto 09.08.2019 & Director (Production) from 10.08.2019	36.89	Contractual	B.E. Mechanical 01-Jul-89 35 years 20-May-63 57 years	Rohini Refractories Ltd Mechanical Engineer	-	None
4	Mr. C.Subba Rao	CFO	38.71	Contractual	FCA 26-Feb-10 32 years 10-Apr-61 59 years	GMR Foundation Head of Finance	3,000 0.03%	None

No.	Employee name	Designation	Remune-ration (Rs. in lakhs)	Nature of employment - contractual or otherwise	Qualification, Date of joining, Experience, Date of birth and Age	Last employment and designation	No. and % of equity shares held at year-end	Relationship to any other director
5	Dr. R P Sharma	Vice President	31.83	Permanent	M.Sc.(Org.Chem) 01-Jun-16 28 years 09-Oct-69 51 years	Solar Industries Ltd DGM	-	None
6	Mr. Y. Krishna Rao	Vice President	26.15	Permanent	M.Com. 03-Sep-86 39 years 17-Jun-50 70 years	A.P.Rayons Ltd Accounts Officer	100 0.00%	None
7	Col. Shailendra Pathak (Retd.)	Vice President	25.67	Permanent	B.Tech, MBA, PGDPM(HR&IR) 01-Oct-16 33 years 24-Feb-67 53 years	TRC Wall Pak Ltd Plant Head	114 0.00%	None
8	Cdr. Indraneel Deb (Retd.)	General Manager	23.61	Permanent	M.Tech. (Aerospace) Armed Forces Programme (IIM) 2-Feb-16 28 years 06-Sep-69 51 years	Reliance Defence & Engineering Ltd DGM (Guns & Missiles)	-	None
9	Mr. Surya Chandra Prakash	General Manager	21.78	Permanent	AIME (Chemical Engineering), M.Tech (Quality Management) 24-Jan-2012 32 years 24-Jan-67 53 years	ISRO-SHAR Quality Engineer	-	None
10	Mr. P. Shiva Shankara Rao	General Manager	20.39	Permanent	M.Sc.(Org.Chemistry) 27-Aug-2013 7 years 01/04/1961 59 years	IEL INDIA LTD Technical Manager	-	None

b. During the year under review, there was no employee in receipt of remuneration which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director and holds by himself or along with his / her spouse and dependent children, not less than two percent of the equity shares of the company.

INDEPENDENT AUDITOR'S REPORT

To

The Members of PREMIER EXPLOSIVES LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **PREMIER EXPLOSIVES LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and 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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its loss, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone 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 (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Emphasis of Matter

We draw your attention to Note 31(D) of the Standalone financial Statements, which describes the management's assessment of the financial impact of the events arising out of Coronavirus (Covid-19) pandemic, for which a definitive assessment of the impact in the subsequent period is dependent upon the circumstances as they evolve.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. we have determined the matters described below to be the key audit matter to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	**Fair value assessment of trade receivables** Trade receivables comprise a significant portion of the liquid assets of the Company. As indicated in Note 31(A) to the standalone financial statements, 44.20% of the trade receivables are past due more than 90 days. The most significant portion of the trade receivables over 90 days comprises of Public Sector companies and Government organisations which are within their historic payment patterns. Company applies the simplified approach and recognises Expected credit loss (ECL) for trade receivable balances (refer Note No 31(A)). Trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics, by grouping days past due of customers. Accordingly, the estimation of the Expected Credit Losses allowances on trade receivables outstanding as at year end is a significant judgement area, hence considered as a key audit matter. (Trade receivables outstanding as at March 31, 2020 – Rs 5184.57 lakhs – which is near to 75% of total financial assets)	**Principal audit procedures performed:** We have Performed Audit confirmation procedures and due to non-response of the same, we performed alternative procedures as below to assess the validity outstanding receivables. • We verified payments received subsequent to year-end against the outstanding amounts as on March 31, 2020. • Verified client source documentation to provide evidence for the existence assertion of the receivables. • Performed Analytical procedures for revenue recognised to find out unusual patterns in sales to identify potentially impaired balances. • Enquiries with respective Marketing managers and with those charged with governance about long outstanding customer balances. The assessment of the appropriateness of the ECL allowance for trade receivables comprised of audit procedures including: 1. We assessed management's ECL impairment model consistent with the requirements of IND AS 109; 2. We tested the mathematical accuracy of Management's ECL impairment model; 3. We agreed the data utilised in Management's ECL impairment model at March 31, 2020 to receivables aging report, calculations and other audited information; 4. We challenged assumptions and judgements made by Management through discussion, comparison to data and our knowledge of the operations as gained through our audit in determining future expected loss rates.

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 Directors report including annexures to directors report, Corporate governance and Management discussion and analysis (MD & A), but does not include the standalone financial statements and our auditor's report thereon. These reports containing other information is expected to be made available to us after the date of this auditor's report.
- Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone 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.
- When we read the Directors report including annexures to directors report, Corporate governance and Management discussion and analysis (MD & A), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those charged with Governance for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone 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 financial 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 the management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone 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 standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

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

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

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

    d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act.

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

    f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

    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 explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

    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, as amended in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements -(refer note no 33 to the standalone financial statements);

        ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts, the company didn't have derivative contracts;

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For MAJETI & CO
Chartered Accountants
Firm's Registration No: 015975S

Kiran Kumar Majeti
Partner
Membership No: 220354
UDIN No: 20220354AAAAAT3276

Place: Hyderabad
Date: June 29, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of **PREMIER EXPLOSIVES LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us 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, 2020, based on "the criteria for internal financial control over financial reporting 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 MAJETI & CO
Chartered Accountants
Firm's Registration No: 015975S

Kiran Kumar Majeti
Partner
Membership No: 220354
UDIN No: 20220354AAAAAT3276

Place: Hyderabad
Date: June 29, 2020

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

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

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

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items on rotation basis which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3 on property, plant and equipment to the financial statements, are held in the name of the Company.

ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. a) The Company has granted unsecured loans, to one company covered in the register maintained under Section 189 of the Act. There are no firms, LLPs and other parties covered in the register maintained under Section 189 of the Act.

b) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.

c) In respect of the aforesaid loans, no schedule for repayment of principal and payment of interest has been stipulated by the Company. Therefore, in absence of stipulation of repayment terms we do not make any comment on the regularity of repayment of principal and payment of interest.

d) In respect of the aforesaid loans, no schedule for repayment of principal and payment of interest has been stipulated by the Company. Therefore, in absence of stipulation of repayment terms we do not make any comment on the regularity of repayment of principal and payment of interest.

iv In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made and no guarantees and security provided by it.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues, including Goods and Services Tax ,Customs Duty, cess and other material statutory dues, as applicable, except there has been a slight delay in a few cases of employees' state insurance, Income tax, Professional Tax and provident fund with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Provident fund, Employees State Insurance, Income Tax, Goods and Services Tax, Customs duty, cess and other material statutory dues, as applicable, which have not been deposited on account of any dispute. The particulars of dues of sales tax, value added tax as at March 31, 2020 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax, 1956	Sales Tax	151.31	2007-08	Honourable High Court of Andhra Pradesh and Telangana
Tamil Nadu Value Added tax, 2006	Value Added Tax	424.52	2009-10 to 2015-16	Honourable High Court of Judicature at Madras

viii. According to the records of the Company examined by us and the information and explanations given to us, The Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us, the moneys raised by way of term loans have been applied for the purposes for which they were obtained.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (IND AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment of shares during the year under review, in compliance with the requirements of Section 42 of the Act. The amounts raised during the previous year have been used for the purpose for which funds were raised:

Equity Shares	Purpose for which funds raised	Total Amount Raised/ Opening Unutilized balance	Amount utilised for the purpose of its raise	Un-utilised balance as at Balance sheet date
Qualified Institutional Placement & Preferential Issue	Business Expansion & Working Capital expansion	1660.65	1660.65	-

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order 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. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For MAJETI & CO
Chartered Accountants
Firm's Registration No: 015975S

Kiran Kumar Majeti
Partner
Membership No: 220354
UDIN No: 20220354AAAAAT3276

Place: Hyderabad
Date: June 29, 2020

BALANCE SHEET

as at March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
ASSETS			
I Non-current assets			
(a) Property, plant and equipment	3(a)	10,614.76	10,840.89
(b) Capital work-in-progress	3(a)	6,169.62	3,482.52
(c) Right -of- use asset	3(b)	77.74	-
(d) Investment property	4	8.02	8.02
(e) Intangible assets	5	450.45	406.84
(f) Financial assets			
(i) Investments	6	531.00	531.00
(ii) Trade receivables	10	-	28.76
(iii) Other financial assets	7	2.15	1.03
(g) Other non-current assets	8	1,010.46	1,057.53
Total non-current assets		**18,864.20**	**16,356.59**
II Current assets			
(a) Inventories	9	4,201.63	3,205.76
(b) Financial assets			
(i) Trade receivables	10	4,699.10	6,486.94
(ii) Cash and cash equivalents	11	190.40	228.53
(iii) Bank balances other than (ii) above	12	1,345.31	2,669.09
(iv) Unbilled receivable		153.58	124.38
(c) Other current assets	8	1,173.63	519.08
Total current assets		**11,763.65**	**13,233.78**
TOTAL ASSETS		**30,627.85**	**29,590.37**
EQUITY AND LIABILITIES			
III Equity			
(a) Equity share capital	13	1,075.22	1,075.22
(b) Other equity		18,571.56	19,862.25
Total equity		**19,646.78**	**20,937.47**
LIABILITIES			
IV Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	391.77	652.09
(ii) Other financial liabilities	15	13.55	8.30
(b) Provisions	16	391.14	312.24
(c) Deferred tax liabilities (net)	17	924.34	1,410.28
Total non-current liabilities		**1,720.80**	**2,382.91**
V Current liabilities			
(a) Financial liabilities			
(i) Borrowings	14	5,384.52	1,840.08
(ii) Trade payables:			
- dues to micro and small enterprises (refer note: 35)		1.70	46.37
- dues to others		1,882.61	2,541.01
(iii) Other financial liabilities	15	1,317.76	1,351.23
(b) Other current liabilities	18	497.78	277.55
(c) Provisions	16	140.50	136.67
(d) Current tax liabilities (net)	19	35.40	77.08
Total current liabilities		**9,260.27**	**6,269.99**
Total liabilities		**10,981.07**	**8,652.90**
TOTAL EQUITY AND LIABILITIES		**30,627.85**	**29,590.37**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAT3276

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

	Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
I	Revenue from operations	20	15,650.80	24,093.35
II	Other income	21	140.00	259.03
III	**Total revenue (I+II)**		**15,790.80**	**24,352.38**
IV	**Expenses**			
	Cost of raw materials consumed	22	9,109.88	13,012.24
	Purchases of stock in trade		267.37	401.15
	Changes in inventories of finished goods, work-in-progress and scrap	23	(1,405.02)	534.98
	Employee benefits expense	24	4,947.58	4,671.16
	Finance costs	25	577.26	552.27
	Depreciation and amortisation expense	26	496.98	418.91
	Research and development expenses	27	91.23	90.70
	Other expenses	28	3,156.46	3,039.32
	Total expenses		**17,241.74**	**22,720.73**
V	**Profit / (Loss) before tax (III-IV)**		**(1,450.94)**	**1,631.65**
VI	**Income tax expense**			
	Current tax	29	-	402.99
	Deferred tax	29	(492.70)	56.11
	Total tax expense		**(492.70)**	**459.10**
VII	**Profit /(Loss) for the year (V-VI)**		**(958.24)**	**1,172.55**
VIII	**Other comprehensive income**			
	Items that will not be reclassified to profit or loss			
	Remeasurements of defined benefit plan		24.29	(125.00)
	Income tax relating to above		(6.76)	43.68
	Other comprehensive income after tax for the year		**17.53**	**(81.32)**
IX	**Total comprehensive income for the year (VII+VIII)**		**(940.71)**	**1,091.23**
X	**Earnings / (Loss) per share (par value of Rs.10 each)**	39		
	Basic		(8.91)	11.00
	Diluted		(8.91)	11.00

The accompanying notes are an integral part of the financial statements

As per our report of even date

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Secunderabad
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DIN: 00053985

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Deputy Managing Director
DIN: 00054220

STATEMENT OF CASH FLOWS

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A	**Cash flow from operating activities**		
	Profit / (Loss) before income tax	(1,450.94)	1,631.65
	Adjustments for:		
	Depreciation and amortisation expense	496.98	418.91
	Unrealised foreign exchange (gain)(net)	(14.17)	(49.42)
	Expected credit loss	40.00	110.34
	Interest income	(120.84)	(256.56)
	Finance costs	577.26	552.27
	Remeasurements of defined benefit plan	24.29	(125.00)
	Bad debts written off	637.21	241.95
	Unbilled revenue receivable written off	-	88.12
	(Profit) on sale of Property, plant and equipment	(15.05)	(1.25)
	Book deficit on assets discarded	-	0.34
	Operating profit before working capital changes	**174.74**	**2,611.35**
	Adjustments for		
	Trade receivables and other assets	483.86	2,650.20
	Inventories	(995.87)	361.59
	Trade payables, other liabilities and provisions	(326.45)	(213.45)
	Cash generated from operating activities	**(663.73)**	**5,409.69**
	Income taxes paid	200.18	562.82
	Net cash generated from operating activities	**(863.91)**	**4,846.87**
B	**Cash flows from investing activities**		
	Payments for property, plant and equipment, intangible assets and capital work-in-progress	(2,943.80)	(3,785.73)
	Proceeds from disposal of property, plant and equipment	15.99	2.07
	Redemption in bank deposits (having original maturity of more than three months) (net)	1,272.83	972.71
	Interest received	170.86	268.40
	Net cash inflow / (outflow) from investing activities	**(1,484.12)**	**(2,542.55)**
C	**Cash flows from financing activities**		
	(Repayment) / Proceeds from non-current borrowings (net)	(260.32)	(134.74)
	(Repayment) / Proceeds from current borrowings (net)	3,544.44	(1,647.89)
	Finance costs	(638.41)	(545.59)
	Dividends paid to company's shareholders (including dividend distribution tax)	(349.98)	(320.59)
	Proceeds from issue of share capital including securities premium		
	- to promoters and others (Preferential allotment)	-	341.21
	Net cash inflow / (outflow) from financing activities	**2,295.73**	**(2,307.60)**
D	**Net increase / (decrease) in cash and cash equivalents (A+B+C)**	(52.30)	(3.28)
	Exchange difference on translation of foreign currency cash and cash equivalents	14.17	1.35
	Cash and cash equivalents at the beginning of the year	228.53	230.46
E	**Cash and cash equivalents at end of the year**	**190.40**	**228.53**
F	**Reconciliation of cash and cash equivalents as per cash flow statement**		
	Cash and cash equivalents as per above comprise of the following:		
	Cash and cash equivalents (refer note: 11)	190.40	228.53
	Balance as per statement of cash flows	**190.40**	**228.53**

The accompanying notes are an integral part of the financial statements

1 The Cash flow statement has been prepared under the indirect method as set out in Ind As 7 "Statement of Cash Flows".
2 Previous year figures have been regrouped / reclassified to confirm to current year classification.
3 Taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.

As per our report of even date

For and on behalf of the Board

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Secunderabad
June 29, 2020

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

		Note	No. of shares	Amount
A	**Equity share capital**			
	Issued, subscribed and paid up Equity shares of Rs. 10/- each	**Note**	**No. of shares**	**Amount**
	As at April 1, 2018		1,06,37,139	1,063.71
	Change during the year		115,100	11.51
	As at March 31, 2019		**1,07,52,239**	**1,075.22**
	Change during the year		-	-
	As at March 31, 2020	13	**1,07,52,239**	**1,075.22**

B Other equity

	Reserves & surplus				Money received against share warrants	Other comprehensive income	Total other equity
	Capital reserve	Securities premium	General reserve	Retained earnings			
Balance as at April 1, 2018	**0.13**	**7265.98**	**1700.00**	**9792.72**	**148.80**	**(145.72)**	**18761.91**
Profit for the year	-	-	-	1,172.55	-	-	1172.55
Remeasurements of defined benefit plan, net of income tax	-	-	-	-	-	(81.32)	(81.32)
	-	**-**	**-**	**1,172.55**	**-**	**(81.32)**	**1,091.23**
Transactions with owners in their capacity as owners							
Issue of shares through preferential allotment	-	458.10	-	-	(128.40)	-	329.70
Forfeiture of share warrants	20.40	-	-	-	(20.40)	-	-
Dividend (including tax on dividend)	-	-	-	(320.59)	-	-	(320.59)
	20.40	**458.10**	**-**	**(320.59)**	**(148.80)**	**-**	**9.11**
Balance as at March 31, 2019	**20.53**	**7,724.08**	**1,700.00**	**10,644.68**	**-**	**(227.04)**	**19,862.25**
Balance as at April 1, 2019	**20.53**	**7,724.08**	**1,700.00**	**10,644.68**	**-**	**(227.04)**	**19,862.25**
Loss for the year	-	-	-	(958.24)	-	-	(958.24)
Remeasurements of defined benefit plan, net of income tax	-	-	-	-	-	17.53	17.53
	-	**-**	**-**	**(958.24)**	**-**	**17.53**	**(940.71)**
Transactions with owners in their capacity as owners							
Dividend (including tax on dividend)	-	-	-	(349.98)	-	-	(349.98)
Balance as at March 31, 2020	**20.53**	**7,724.08**	**1,700.00**	**9,336.46**	**-**	**(209.51)**	**18,571.56**

The accompanying notes are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020 (Continued)

Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents share application money received from allottees and forfeiture due to non payment of remaining call money within due date as per terms of issue.

(ii) Securities premium reserve

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

(iii) General reserve

General reserve is used for strengthening the financial position and meeting future contingencies and losses.

(iv) Retained earnings

This reserve represents the cumulative profits of the company. It includes land revaluation amount of Rs. 5,570.59 lakhs on Ind AS transition date (i.e. April 01, 2016) which will not be available for declaration of dividend as per Companies (Declaration and payment of Dividend) Rules, 2014.

As per our report of even date

For and on behalf of the Board

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Secunderabad
June 29, 2020

NOTES TO FINANCIAL STATEMENTS

(All amounts in INR lakhs, unless otherwise stated)

1. Background

1.1 Premier Explosives Limited (PEL), (the 'company') is a public limited company incorporated in the year 1980 under the provisions of erstwhile Companies Act, 1956 having its registered office at Secunderabad in the state of Telangana, India. The equity shares of the company are listed with two stock exchanges in India viz., BSE Limited, Mumbai and the National Stock Exchange of India Limited, Mumbai.

1.2 The company is engaged in manufacture of high energy materials like bulk explosives, packaged explosives, detonators, detonating fuse, solid propellants, pyrogen igniters, pyro devices, etc., having applications in mining, infrastructure, defence, space, homeland security and such other areas. The company also operates and maintains solid propellant plants of defence and space establishments.

1.3 The financial statements are approved for issue by the Company's Board of Directors on June 29, 2020.

2. Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

(i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

(ii) Historical cost convention

The financial statements have been prepared as a going concern on accrual basis of accounting. The company has adopted historical cost basis for assets and liabilities except for certain items which have been measured on a different basis and such basis is disclosed in the relevant accounting policy.

(iii) New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing April 1, 2019:

– Ind AS 116, Leases

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Current and non-current classification

An asset is classified as current, if

(i) It is expected to be realized or sold or consumed in the company's normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) It is cash or a cash equivalent unless it is 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 classified as current, if

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be settled within twelve months after the reporting period;

(iv) It has 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.

All assets and liabilities have been classified as current or non-current as per company's operating cycle and other criteria set out in Schedule-III of the Companies Act, 2013. Based on the nature of business, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker. The company is engaged in the business of "High Energy Materials" and has only one reportable segment in accordance with Ind AS 108 "Operating Segment".

In accordance with paragraph 4 of Ind AS 108 - "Operating Segments" the company has disclosed segment information only on the basis of consolidated financial statements.

2.3 Functional and presentation currency

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. 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 differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non- monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as Fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income.

2.4 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement 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 judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are

- Estimation of current tax expense and payable
- Estimation of defined benefit obligation [refer note: 24(a) (ii)]
- Estimation of expected credit loss on financial assets [refer note: 31(A)]
- Estimation of useful life of property, plant and equipment
- Estimation of useful life of intangible asset
- Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19) [refer note: 31(D)]

2.5 Revenue recognition Sale of Products - Recognition & Measurement

Revenue from the sale of products is recognised at the point in time when the products are delivered to the customer (as it is considered that customer has obtained the control or legal title has been transferred) as per the terms of the contract. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

The Company's customers pay for products received in accordance with payment terms that are customary in the industry and do not have significant financing components.

For revenues disaggregated by geography and timing of recognition [refer note 20]

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delay / default attributable to the Company and when there is a reasonable certainty with which the same can be estimated.

Sale of Services- Recognition & Measurement

Revenue from operations and maintenance services are recognised on output basis measured by efforts expended, number of transactions processed, etc.

Some contracts include multiple deliverables, such as the sale of products required for maintenance services. It is therefore accounted for as a separate performance obligation. The revenue from sale of products is recognised at a point in time when the product is delivered, the legal title has been passed and the customer has accepted the product.

Dividend income

Dividend income on investments is accounted for when the right to receive the payment is established, which is generally when shareholders approve the dividend.

Dividend income is included in Other income in the Statement of profit and loss.

Interest income

Interest income on all financial assets is measured at amortised cost, using the effective interest rate (EIR) method and is recognised in the statement of profit and loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the expected credit loss).

The Company presents revenues net of indirect taxes in its statement of profit and loss

2.6 Property, plant and equipment

Freehold land is carried at deemed cost. On transition to Ind AS, the company has elected the option of fair value as deemed cost of land as at April 01, 2016. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On transition to Ind AS, the company has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 01,2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit and loss in the period the item is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation methods, estimated useful lives and residual value

Depreciation is computed on a straight line method to allocate their cost, net of their residual values, over their estimated useful lives in the manner prescribed in Schedule II of the Act.

The Company reviews the residual value, useful lives and depreciation method annually and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate on a prospective basis. The residual values are not more than 5% of the original cost of the asset. Property, plant and equipment individually costing Rs. 5,000 or below are fully depreciated in the year of purchase. Depreciation on additions / deletions is calculated on a monthly pro-rata basis.

2.7 Intangible assets and amortisation

(i) Computer software

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use and
- the expenditure attributable to the software during its development can be reliably measured.

(ii) Transfer of Technology

Separately acquired transfer of technology is shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Amortisation methods and periods

The company amortises intangible assets using the straight-line method over the following periods:

- Computer software – 3 years based on their estimated useful lives.
- Transfer of Technology – 10 years based on finite useful life.

All intangible assets are tested for impairment. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation expenses and impairment losses and reversal of impairment losses are taken to the Statement of profit and loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortisation and / or impairment losses.

2.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the amount of proceeds, net of direct costs of the capital issue.

2.9 Financial instruments

Classification, initial recognition and measurement

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. Financial instruments are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories

– those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and

– those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

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

Subsequent measurement - Debt instruments

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

At amortised cost

Financial assets having contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows are classified in this category. Subsequently, these are measured at amortised cost using the effective interest method less any impairment losses.

At fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using effective interest rate method. Foreign exchange gains / (losses) and impairment expenses are presented as separate line item in statement of profit and loss.

At fair value through profit or loss (FVTPL)

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

Investment in subsidiaries and joint ventures

Investment in subsidiaries and joint ventures are measured at cost less impairment as per Ind AS 27.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(ii) Financial liabilities

Classification, initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Financial liabilities are carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Buyers' credit

The Company enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials. The financial institutions are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled up to twelve months, where these arrangements are for raw materials with a maturity of up to twelve months.

Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset the difference between the carrying amount and the consideration received is recognised in the statement of profit and loss.

The company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. On de-recognition of a financial liability the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

Offsetting financial instruments

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

2.10 Impairment of assets

Financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. In accordance with Ind AS 109, the Company uses 'Expected Credit Loss' (ECL) model for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are measured through a loss allowance at an amount equal to

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For trade receivables Company applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the Company uses 12 month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Non-financial assets

Property, plant & equipment and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability when there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. 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 cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss.

2.11 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of profit and loss for the period for which they are incurred.

2.12 Inventories

(i) Raw materials and stores and spares are valued at lower of cost, calculated on First-in-First-Out ("FIFO") basis, and net realisable value. Items held for use in the production of inventories are not written down below cost if the finished products in which these will be incorporated are expected to be sold at or above cost.

(ii) Finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity.

(iii) Cost of inventories also includes all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of first-in-first-out basis.

(iv) Scrap is valued at net realisable value. Obsolete, defective and unserviceable inventories are duly provided for.

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

2.13 Taxation

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

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

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 financial statements. 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.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries 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 recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries 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 realise the asset and settle the liability simultaneously.

Current and deferred taxes are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

2.14 Leases Transition

Effective April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment (if any) to retained earnings as on the date of initial application. Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Refer note 2.14 – Significant accounting policies – Leases in the Annual report of the Company for the year ended March 31, 2020, for the policy as per Ind AS 17. The adoption of the Standard has insignificant impact on the financial statements of the Company.

As a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

As a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

2.15 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Provisions, Contingent liabilities and contingent assets are reviewed at each balance sheet date.

2.16 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

2.17 Employee benefits

(i) Short-term obligations

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 recognised 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.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the appropriate market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The company operates the following post-employment schemes

(a) Defined benefit plans such as gratuity

(b) Defined contribution plans such as provident fund

(c) State plans

(a) Defined benefit plans - Gratuity obligations

The liability or assets recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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 gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(b) Defined contribution plans

The Company pays provident fund contributions to publicly administered funds as per applicable regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) State plans

Employer's contribution to Employees' State Insurance is charged to statement of profit and loss.

2.18 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividend is recognised as a liability in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

2.19 Research and development expenditure

Revenue expenditure pertaining to research is charged to the statement of profit and loss. Product development costs are charged to the statement of profit and loss unless a product's technological and commercial feasibility has been established, in which case such expenditure is capitalised.

2.20 Earnings per share

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

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

2.21 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not used in the production of goods and services or for the administrative purposes, is classified as Investment property and is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

2.22 Government grants

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss under "Other Operating Income" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the group, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

2.23 Rounding off amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

2.24 Recent accounting pronouncements (Standards issued but not yet effective)

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There are no such notifications which would have been applicable from April 1, 2020.

Notes to financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 3 (a): Property, plant and equipment

Particulars	Freehold land	Leasehold land	Freehold buildings	Plant and Machinery		Furniture, fittings and equipment	Vehicles	Data processing equipment	Total property, plant and equipment	Capital work-in-progress
				Plant and machinery	Research and development equipment					
Year ended March 31, 2019										
Gross carrying amount										
Opening gross carrying amount	6043.87	47.68	1941.12	4234.32	142.35	175.07	159.24	63.79	12807.44	1579.17
Additions	10.88	32.48	401.39	763.15	26.71	5.53	0.00	3.66	1243.80	3465.67
Disposals	(0.82)	-	(0.62)	-	-	(0.02)	-	-	(1.46)	(1,562.32)
Closing gross carrying amount	6,053.93	80.16	2,341.89	4,997.47	169.06	180.58	159.24	67.45	14,049.78	3,482.52
Accumulated depreciation										
Opening accumulated depreciation	-	0.94	550.54	1958.04	77.94	112.09	67.60	53.56	2,820.71	-
Depreciation charge during the year	-	0.67	66.96	274.73	10.37	15.64	15.52	4.59	388.48	-
Disposals	-	-	(0.28)	-	-	(0.02)	-	-	(0.30)	-
Closing accumulated depreciation	-	1.61	617.22	2,232.77	88.31	127.71	83.12	58.15	3,208.89	-
Net carrying amount as at March 31, 2019	**6,053.93**	**78.55**	**1,724.67**	**2,764.70**	**80.75**	**52.87**	**76.12**	**9.30**	**10,840.89**	**3,482.52**
Year ended March 31, 2020										
Gross carrying amount										
Opening gross carrying amount	6,053.93	80.16	2,341.89	4,997.47	169.06	180.58	159.24	67.45	14,049.78	3,482.52
Reclassification on adoption of IND AS 116	-	(80.16)	-	-	-	-	-	-	(80.16)	-
Additions	6.75	-	-	62.78	142.97	5.32	75.64	3.33	296.79	2,732.75
Disposals	(0.92)	-	-	-	-	(0.09)	-	-	(1.01)	(45.65)
Closing gross carrying amount	6,059.76	-	2,341.89	5,060.25	312.03	185.81	234.88	70.78	14,265.40	6,169.62
Accumulated depreciation										
Opening accumulated depreciation	-	1.61	617.22	2,232.77	88.31	127.71	83.12	58.15	3,208.89	-
Reclassification on adoption of IND AS 116	-	(1.61)	-	-	-	-	-	-	(1.61)	-
Depreciation charge during the year	-	-	81.60	305.15	16.46	14.71	21.26	4.27	443.45	-
Disposals	-	-	-	-	-	(0.09)	-	-	(0.09)	-
Closing accumulated depreciation	-	-	698.82	2,537.92	104.77	142.33	104.38	62.42	3,650.64	-
Net carrying amount as at March 31, 2020	**6,059.76**	**-**	**1,643.07**	**2,522.33**	**207.26**	**43.48**	**130.50**	**8.36**	**10,614.76**	**6,169.62**

Notes:

1) Capital work in progress mainly comprises of new manufacturing unit being constructed at Katepally, which is expected to be capitalised in second quarter of the year 2020-21

2) Refer note 34 for disclosure of contractual commitments for the acquisition of property, plant and equipment

3) Refer note 40 for information on property, plant and equipment provided as security by the company

Note 3(b): Right - of - use asset

	Land
Reclassification on account of adoption of IND AS 116 as at April 01,2019	78.55
Depreciation	(0.81)
Balance as at March 31, 2020	**77.74**

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

Note 4: Investment property

	As at March 31, 2020	As at March 31, 2019
Land	8.02	8.02
Net carrying amount	**8.02**	**8.02**

Fair value of the investment property determined by a recognised independent valuer Mr. K. Anjaneyulu, based on valuation as at April 1, 2016 is Rs. 250.24 lakhs. During the year management determines there is no significant change in fair value of property valuations. (Pricing model approach Level 3).

Note 5: Intangible assets (acquired)

	Computer software	Technology transfer rights	Total
Year ended March 31, 2019			
Gross carrying amount			
Opening gross carrying amount	32.03	-	32.03
Additions	2.46	432.00	434.46
Closing gross carrying amount	34.49	432.00	466.49
Accumulated amortisation			
Opening accumulated amortisation	29.22	-	29.22
Amortisation charge during the year	1.49	28.94	30.43
Closing accumulated amortisation	30.71	28.94	59.65
Closing net carrying amount as at March 31, 2019	**3.78**	**403.06**	**406.84**
Year ended March 31, 2020			
Gross carrying amount			
Opening gross carrying amount	34.49	432.00	466.49
Additions	19.19	77.14	96.33
Closing gross carrying amount	53.68	509.14	562.82
Accumulated amortisation			
Opening accumulated amortisation	30.71	28.94	59.65
Amortisation charge during the year	6.32	46.40	52.72
Closing accumulated amortisation	37.03	75.34	112.37
Net carrying amount as at March 31, 2020	**16.65**	**433.80**	**450.45**

Technology transfer rights (Transfer of Technology) provided by Defence Research and Development Organisation (DRDO) and High Energy Materials Research Laboratory (HEMRL) to the Company for manufacturing of products for Indian Armed Forces which is amortised over the license period.

	As at March 31, 2020	As at March 31, 2019

Note 6: Non-current investments

(Un quoted, fully paid up)		
Investment in equity instruments in subsidiary companies (at cost)		
Premier Wire Products Limited 52,00,000 (March 31, 2019: 52,00,000) equity shares of Rs.10/- each, fully paid	520.00	520.00
PELNEXT Defence Systems Private Limited 10,000 (March 31, 2019: 10,000) equity shares of Rs.10/- each fully paid	1.00	1.00
Investment in equity instruments in joint venture (at cost)		
BF Premier Energy Systems Private Limited 1,00,000 (March 31, 2019: 1,00,000) equity shares of Rs.10/- each, fully paid	10.00	10.00
Total Non-current investments	**531.00**	**531.00**
Aggregate amount of unquoted investments	531.00	531.00
Aggregate amount of impairment in the value of investments	-	-

Note 7: Other financial assets

Non Current

Loans considered good - Unsecured		
Loan to related parties* (refer note: 37)	2.15	1.03
Total other non-current financial assets	**2.15**	**1.03**

*Financial assets carried at amortised cost

Note 7(a): The following are the details of loans and advances in the nature of loans given to subsidiaries, associates and other entities in which directors are interested in terms of the Regulation 34(3) read together with para A of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

PELNEXT Defence Systems Private Limited

Outstanding at year end	2.15	1.03
Maximum outstanding	**2.15**	**1.03**

Note: The inter-corporate loan, given to subsidiary to meet its business needs and exigencies, carries interest @ 11%.

Note 8: Other assets

(i) Non current

Capital advances	353.21	529.43
Advances other than capital advances:		
Security deposits	245.88	352.18
Pre-paid expenses	252.87	175.92
Advance taxes (net of provisions)	158.50	-
Total other non-current assets	**1,010.46**	**1,057.53**

(ii) Current

Balances with government authorities	531.80	170.37
Prepaid expenses	247.48	165.26
Advances to suppliers	257.17	108.15
Other receivables	137.18	75.30
Total other current assets	**1,173.63**	**519.08**

	As at March 31, 2020	As at March 31, 2019
Note 9: Inventories (valued at lower of cost and net realisable value)		
Raw materials	1,725.46	2,138.77
Work-in-progress	1,463.25	273.91
Finished goods	352.72	137.27
Stores and spares	654.63	650.47
Scrap (at net realisable value)	5.57	5.34
Total inventories	**4,201.63**	**3,205.76**
Raw materials includes stock in transit	6.90	13.20

Note 9 (a): Refer note 40 for information on inventories provided as security by the company.

Note 10: Trade receivables

(i) Non-current

Trade receivables	-	28.77
Less: Provision for expected credit loss (Refer note:31(A))	-	0.01
Total non-current trade receivables	**-**	**28.76**

(ii) Current

Trade receivables	5,184.57	6,932.40
Less: Provision for expected credit loss (Refer Note:31(A))	485.47	445.46
Total current trade receivables	**4,699.10**	**6,486.94**

Note 10 (a): Refer note 40 for information on trade receivable provided as security by the company.

Note 10 (b): Break-up of security details

Trade receivables considered good - Secured	-	-
Trade receivables considered good - Unsecured	5,184.57	6,961.17
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
Total	**5,184.57**	**6,961.17**
Less: Provision for expected credit loss (Refer note:31(A))	485.47	445.47
Total trade receivables	**4,699.10**	**6,515.70**

Note 11: Cash and cash equivalents

Balances with banks*		
in Current accounts	16.13	24.92
in EEFC accounts	135.33	158.83
Cash on hand	5.78	3.76
Deposits with banks with original maturity is less than three months	33.16	41.02
Total cash and cash equivalents	**190.40**	**228.53**

* There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior period.

	As at March 31, 2020	As at March 31, 2019

Note 12: Bank balances other than cash and cash equivalents

Earmarked balances with bank *	25.63	26.56
Deposits with original maturity over 3 months but less than 12 months	77.70	1,568.70
Margin money deposits with banks	1,241.98	1,073.83
Total Bank balances other than cash and cash equivalents	**1,345.31**	**2,669.09**

* Earmarked balances represent unpaid dividend.

Note 12 (a): Margin money deposits include Rs.1157.54 lakhs (March 31, 2019: Rs. 1035.88 lakhs) pledged / lien against bank guarantees issued by the banks. (refer note: 33(i))

Note 13: Equity share capital

Movement of equity share capital during the year
Authorised

	No of shares	Amount
As at April 1, 2018	1,50,00,000	1,500.00
Change during the year	-	-
As at March 31, 2019	**1,50,00,000**	**1,500.00**
Change during the year	-	-
As at March 31, 2020	**1,50,00,000**	**1,500.00**

Issued, subscribed and paid up

	No of shares	Amount
As at April 1, 2018	1,06,37,139	1,063.71
Change during the year	1,15,100	11.51
As at March 31, 2019	**1,07,52,239**	**1,075.22**
Change during the year	-	-
As at March 31, 2020	**1,07,52,239**	**1,075.22**

Preferential allotment

During the previous year the company has made preferential allotment of 1,15,100 equity shares of Rs. 10 each at Rs. 408 per share, including a premium of Rs. 398 per share to promoters 1,00,100 shares and others 15,000 shares. Thus the equity share capital has increased by Rs. 11.51 lakhs and securities premium by Rs. 458.10 lakhs.

Details of shareholders holding more than 5% shares in the company

	Dr. A.N.Gupta	Dr. (Mrs.) Kailash Gupta	A. N. Gupta (HUF)	HDFC Trustee Company Ltd
As at March 31, 2020				
Number of shares	26,20,183	11,67,467	6,56,697	8,39,700
% holding	24.37%	10.86%	6.11%	7.81%
As at March 31, 2019				
Number of shares	26,05,086	11,60,767	6,56,697	8,39,700
% holding	24.23%	10.80%	6.11%	7.81%

Terms and rights attached to equity shares

The company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the 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 at March 31, 2020	As at March 31, 2019

Note 14: Borrowings

(i) Non-current

Term loans		
Secured - At Amortised Cost		
From banks	656.25	918.75
Less: Current maturities of long-term debt	(262.50)	(262.50)
Less: Unamortised upfront fee	(1.98)	(4.16)
Total Non-current borrowings	**391.77**	**652.09**

Note 14 (a): Above secured term loans are secured by first charge on the assets financed out of the above said loans including building and machinery and second charge on current assets of the company and personal guarantee by Chairman and Managing Director & Deputy Managing Director of the company.

Note 14 (b): Repayment terms: Secured term loan comprises of 10 equal quarterly instalments of Rs. 65.63 lakhs each (April, 2020 to March, 2022), with an applicable interest rate of 9.25% as on the reporting date.

(ii) Current

Loans repayable on demand		
Secured - At Amortised Cost		
Working capital loans from banks	3,277.86	1,320.60
Buyers credit from bank	882.67	-
Unsecured -At Amortised Cost		
Loans from banks	207.94	4.70
Loans from related parties (refer note: 37)	1,016.05	514.78
Total current borrowings	**5,384.52**	**1,840.08**

Note 14 (c): Rate of interest on loans from related parties carries at 11.00% per annum.

Note 14 (d): Working capital loans and buyers credit from bank are secured by hypothecation of stocks, receivables, other current assets, and fixed assets of the company and personal guarantee of two directors of the company.

Note 14 (e): Rate of interest on current borrowings is as per the agreement with the respective banks i.e. bank rate 8.90% to 10.60% (+/-) spread as applicable.

Note 14 (f): The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 40.

Note 14 (G): Net debt reconciliation

Opening balance of borrowings	2,758.83	4,562.61
Add: Proceeds from non-current borrowings	-	-
Less: Repayments of non-current borrowings	(260.32)	(134.74)
Proceeds / (repayment) from current borrowings	3,544.44	(1,647.89)
Foreign exchange adjustments	-	(18.27)
Fair value adjustments	(2.18)	(2.88)
Closing balance of borrowings	6,040.77	2,758.83

Note 15: Other financial liabilities

i) Non-current

Dealership deposits	7.20	7.20
Earnest money deposits	6.35	1.10
	13.55	**8.30**

		As at March 31, 2020	As at March 31, 2019
ii)	**Current**		
	Current maturities of long-term borrowings	262.50	262.50
	Interest accrued but not due	16.88	78.03
	Unclaimed dividend (refer note: 15.1)	25.63	26.56
	Capital creditors	186.49	226.29
	Employee benefits payable	596.44	587.76
	Creditors for expenses	229.82	170.09
	Total other financial liabilities	**1,317.76**	**1,351.23**

Note 15.1: Unclaimed dividend account represents dividend amount unclaimed and no amount is due for deposit in Investor Education and Protection Fund.

Note 16: Provisions

Employee benefit obligations			
i)	**Non-current**		
	Gratuity (refer note: 24(a))	146.53	92.89
	Leave encashment	244.61	219.35
	Total	**391.14**	**312.24**
ii)	**Current**		
	Gratuity (refer note: 24(a))	50.88	63.48
	Leave encashment	89.62	73.19
	Total	**140.50**	**136.67**

Note 17: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

Deferred tax (assets) / liabilities		
On property, plant and equipment and intangible assets	1,697.71	1,778.79
Deferred tax on transaction cost on borrowings	0.56	1.45
Provision for expected credit loss	(135.06)	(155.66)
Expenses allowable on the basis of payment	(190.36)	(214.30)
Carry forwarded losses	(448.51)	-
Deferred tax (assets) / liabilities (net)	**924.34**	**1,410.28**

Movement in deferred tax (assets) / liabilities

	Property, plant and equipment	Provision for expected credit loss	Carry forwarded losses	Expenses allowable on the basis of payment	Deferred tax on transaction cost on borrowings	Total
As at April 1, 2018	**1,711.92**	**(117.11)**	**-**	**(243.10)**	**2.46**	**1,354.17**
Charged / (credited)						
- to profit or loss	66.87	(38.55)	-	72.48	(1.01)	99.79
- to other comprehensive income	-	-	-	(43.68)	-	(43.68)
As at March 31, 2019	**1,778.79**	**(155.66)**	**-**	**(214.30)**	**1.45**	**1,410.28**
Charged / (credited)						
- to profit or loss	(81.08)	20.60	(448.51)	17.18	(0.89)	(492.70)
- to other comprehensive income	-	-	-	6.76	-	6.76
As at March 31, 2020	**1,697.71**	**(135.06)**	**(448.51)**	**(190.36)**	**0.56**	**924.34**

(Note: Carry forwarded loss includes Rs. 153.11 lakhs on account of unabsorbed depreciation)

	As at March 31, 2020	As at March 31, 2019

Note 18: Other current liabilities

Statutory taxes payable	89.86	98.14
Advance from customers	407.92	179.41
Total other current liabilities	**497.78**	**277.55**

Note 19: Current tax liabilities (net)

Current tax (Net of Prepaid taxes of Nil (March 31, 2019: Rs.1624.54 lakhs)	-	41.68
Interest on income tax	35.40	35.40
Total current tax liabilities	**35.40**	**77.08**

	For the year ended March 31, 2020	For the year ended March 31, 2019

Note 20: Revenue from operations

Revenue from contracts with customers		
- Sale of products	13,197.83	22,137.92
- Sale of traded goods	276.37	414.09
- Sale of services	2,065.64	1,465.39
	15,539.84	**24,017.40**
Other operating revenue	110.96	75.95
Total revenue from operations	**15,650.80**	**24,093.35**

Disaggregation of revenue from contracts with customers

The company derives revenue from transfer of goods and services from the following geographical locations.

Geographical location		
- India	14,970.57	23,102.30
- Other countries	680.23	991.05
Total	**15,650.80**	**24,093.35**

Information about major customers:

Three customers represent 10% or more of the Company's total revenue during the years ended March 31, 2020 and March 31, 2019.

Note 21: Other income

Interest income from financial assets measured at amortised cost	120.84	256.56
Gain on sale of property, plant & equipment	15.05	1.25
Other non-operating income	4.11	1.22
Total other income	**140.00**	**259.03**

Note 22: Cost of raw materials consumed

Raw materials at the beginning of the year	2,138.77	1,885.01
Add: Purchases	8,696.57	13,266.00
Less: Raw materials at the end of the year	(1,725.46)	(2,138.77)
Total cost of raw materials consumed	**9,109.88**	**13,012.24**

	For the year ended March 31, 2020	For the year ended March 31, 2019

Note 23: Changes in inventories of finished goods, work-in-progress and scrap

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening balance		
Finished goods	137.27	242.11
Work-in-progress	273.91	700.56
Scrap	5.34	8.83
Total opening balance	**416.52**	**951.50**
Closing balance		
Finished goods	352.72	137.27
Work-in-progress	1,463.25	273.91
Scrap	5.57	5.34
Total closing balance	**1,821.54**	**416.52**
Changes in inventories of finished goods, work-in-progress and scrap	**(1,405.02)**	**534.98**

Note 24: Employee benefits expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages, bonus and other allowances	4,382.78	4,096.61
Contribution to provident fund and other funds	363.88	338.17
Contribution to ESI	19.13	28.33
Staff welfare expenses	181.79	208.05
Total employee benefits expense	**4,947.58**	**4,671.16**

Note 24(a):

(i) Defined contribution plans

Employer's contribution to Provident Fund: Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual or any constructive obligation.

Employer's contribution to State Insurance Scheme: Contributions are made to State Insurance Scheme for employees at the rate of 4.75% of gross salary as per regulations. The contributions are made to Employee State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual or any constructive obligation.

Employer's contribution to Provident Fund	281.86	265.12
Employer's contribution to ESI	19.21	28.43

(ii) Defined benefits plans

Post-employment obligations - Gratuity

The company provides for gratuity for employees in India as per the payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement / termination is the employee's last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the company makes contributions to recognized funds in India. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

	As at March 31, 2020	As at March 31, 2019

Gratuity (Funded)

A) Reconciliation of opening and closing balances of defined benefit obligation

Defined benefit obligation at beginning of the year	1,127.89	942.33
Current service cost	76.27	70.14
Interest cost	82.75	72.13
Actuarial (gain) / loss	(29.99)	124.82
Benefits paid	(78.24)	(81.53)
Defined benefit obligation at year end	1,178.68	1,127.89

B) Reconciliation of opening and closing balances of fair value of plan assets

Fair value of plan assets at beginning of year	971.52	786.17
Expected return on plan assets	71.88	64.38
Actuarial (gain) / loss	(5.70)	(0.18)
Employer's contribution	26.80	202.68
Benefits paid	(78.24)	(81.53)
Adjustments to opening balances	(5.00)	-
Fair value of plan assets at year end	981.27	971.52

C) Reconciliation of fair value of assets and obligations

Fair value of plan assets	981.27	971.52
Present value of obligation	1,178.68	1,127.89
Amount recognised in balance sheet, surplus / (deficit)	**(197.41)**	**(156.37)**

D) Expenses recognised during the year

	For the year ended March 31, 2020	For the year ended March 31, 2019
In income statement		
Current service cost	76.27	70.14
Interest cost	82.75	72.13
Return on plan assets	(71.88)	(64.38)
Net cost	**87.14**	**77.89**
In other comprehensive income		
Actuarial gain / (loss)	24.29	(125.00)
	62.85	**202.89**

	As at March 31, 2020	As at March 31, 2019

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

Discount rate	6.73%	7.60%
Salary growth rate	4%	4%
Withdrawal rate	2%	2%
Retirement age	55/58 years	55/58 years
Average balance future services	16.96	16.89
Mortality table(Life Insurance Corporation)	2012-14	2012-14

Sensitivity analysis

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

	As at March 31, 2020
Defined benefit obligation	1,178.68
Discount rate: (% change compared to base due to sensitivity)	
Increase : +1%	1,090.34
Decrease: -1%	1,278.42
Salary growth rate: (% change compared to base due to sensitivity)	
Increase: +1%	1,286.84
Decrease: -1%	1,081.64
Withdrawal rate: (% change compared to base due to sensitivity)	
Increase: +1%	1,194.65
Decrease: -1%	1,161.01

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Defined benefit liability and employer contributions

The company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the company. Any deficit in the assets arising as a result of such valuation is funded by the company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 11.14 years. The expected cash flows over the years is as follows:

	As at March 31, 2020
Defined benefit obligation - gratuity	
Less than a year	50.88
Between 2-5 years	349.45
Over 6 years	830.28
Total	**1,230.60**

Risk management

Defined benefit plans are prone to a number of risks, the most significant of which are detailed below:

Interest rate risk: This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses. These Plans primarily invest in debt instruments such as Government securities and highly rated corporate bonds – the valuation of which is inversely proportional to the interest rate movements.

Salary cost inflation risk: The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

	For the year ended March 31, 2020	For the year ended March 31, 2019
Note 25: Finance costs		
Interest and finance charges on financial liabilities carried at amortised cost	395.53	394.66
Interest on income tax	-	4.05
Other borrowing costs	181.73	153.56
Total finance costs	**577.26**	**552.27**
Note 26: Depreciation and amortisation expense		
Depreciation of property, plant and equipment	443.45	388.48
Depreciation of right-of-use assets	0.81	-
Amortisation of intangible assets	52.72	30.43
Total depreciation and amortisation expense	**496.98**	**418.91**
Note 27: Research and development expenses		
Raw materials consumed	7.91	11.16
Salaries, wages, bonus and other allowances.	78.12	74.60
Contribution to provident and other funds.	5.12	4.84
Contribution to ESI.	0.08	0.10
Total research and development expenses	**91.23**	**90.70**
Note 28: Other expenses		
Consumption of stores and spares	44.53	75.06
Consumption of packing materials	256.98	379.65
Power and fuel	207.55	261.01
Repairs and maintenance		
- Plant and machinery	473.57	468.43
- Buildings	14.36	27.44
- Others	134.97	107.52
Insurance	104.83	94.03
Rent	123.57	46.97
Rates and taxes, excluding taxes on income	63.45	27.56
Legal and professional charges	80.10	69.13
Directors sitting fees	8.60	10.00
Printing and stationery	24.53	30.28
Communication expenses	17.34	18.89
Travelling and conveyance	230.54	254.97

	For the year ended March 31, 2020	For the year ended March 31, 2019
Vehicle maintenance	27.12	17.98
Sales commission	77.31	178.03
Sales promotion expenses	3.29	3.22
Advertisement	9.83	10.43
Carriage outward	106.45	106.55
Other selling expenses	69.68	47.93
Technical knowhow expenses	17.90	17.99
Net loss on foreign currency transactions and translations	137.78	75.92
Bank charges	22.63	7.03
Payments to auditors	21.03	18.48
Bad debts written off*	637.21	241.95
Book deficit on assets discarded	-	0.34
Expected credit loss	40.00	110.34
Unbilled revenue receivable written off	-	88.12
Donations	3.50	4.37
Corporate social responsibility expenditure	39.49	39.90
General expenses	158.32	199.80
Total other expenses	**3,156.46**	**3,039.32**

* Mainly on account of Late delivery charges of Rs. 333.82 lakhs (2018-19: Rs. 214.81 lakhs), Powder Factor deduction of Rs. 258.73 lakhs (2018-19: Nil) and other deductions of Rs.44.66 lakhs (2018-19: Rs.27.14 lakhs)

Note 28 (a): Details of payments to auditors

Payment to auditors		
As auditors		
As Statutory auditor	7.50	7.50
For Quarterly reviews	6.75	6.75
In other capacities		
For Certification	2.40	2.90
For Attestation services	3.00	-
Re-imbursement of expenses	1.38	1.33
Total payments to auditors	**21.03**	**18.48**

Note 28 (b): Corporate social responsibility expenditure

Amount required to be spent as per section 135 of the Act	39.15	36.23
Amount spent during the year on		
(i) Promoting education	5.74	8.15
(ii) Promoting healthcare	29.75	26.75
(iii) Women empowerment	3.50	4.00
(iv) Others	0.50	1.00
Total corporate social responsibility expenditure	**39.49**	**39.90**

Note 29: Income tax expense

This note provides an analysis of the company's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the company's tax positions.

	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Income tax expense		
Current tax		
Current tax on profits for the year	-	438.68
Adjustments for current tax of prior periods	-	(35.69)
Total current tax expense	**-**	**402.99**
Deferred tax		
Decrease / (increase) in deferred tax assets	(529.59)	(9.76)
(Decrease) / increase in deferred tax liabilities	36.89	65.87
Total deferred tax expense / (benefit)	**(492.70)**	**56.11**
Income tax expense	**(492.70)**	**459.10**
(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate		
Profit from operations before income tax expenses	**(1,450.94)**	**1,631.65**
Income tax expense		
Tax at the rate of 26% (2018-19: 29.12%)	(377.24)	475.14
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	21.48	14.16
Weighted deduction on research and development	(65.46)	(17.09)
Tax effect of expenses not allowed for tax purpose	-	9.47
Tax effect of expenses relating to voluntary retirement scheme	(18.60)	(21.52)
Due to change in tax rate	(51.94)	-
Tax effect of items in other comprehensive income considered for income tax	(6.76)	43.68
Adjustments for current tax of prior periods	-	(35.69)
Tax effect on others	5.83	(9.05)
Income tax expense	**(492.70)**	**459.10**

Note 30 : Financial instruments and risk management - Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The following table represents the fair value hierarchy of assets and liabilities:

	Fair value hierarchy	Notes	As at March 31, 2020		As at March 31, 2019	
			Carrying value	Fair value	Carrying value	Fair value
A. Financial assets						
Measured at amortised cost						
Cash and cash equivalents	Level -3	11	190.40	190.40	228.53	228.53
Other bank balances	Level -3	12	1,345.31	1,345.31	2,669.09	2,669.09
Trade receivables	Level -3	10	4,699.10	4,699.10	6,515.70	6,515.70
Unbilled receivable			153.58	153.58	124.38	124.38
Other financial assets	Level -3	7	2.15	2.15	1.03	1.03
Total financial assets			**6,390.54**	**6,390.54**	**9,538.73**	**9,538.73**
B. Financial liabilities						
Measured at amortised cost						
Trade payables	Level -3		1,884.31	1,884.31	2,587.38	2,587.38
Borrowings	Level -3	14	5,776.29	5,776.29	2,492.17	2,492.17
Other financial liabilities	Level -3	15	1,331.31	1,331.31	1,359.53	1,359.53
Total financial liabilities			**8,991.91**	**8,991.91**	**6,439.08**	**6,439.08**

Note:

(i) Investments mentioned in note 6 include equity investments in Subsidiaries and Joint venture which are carried at costs and hence are not required to be disclosed as per Ind AS 107 "Financial Instruments Disclosures". Hence, the same have been excluded from the above table.

(ii) The carrying amounts of trade payables, other financial liabilities, borrowings, cash and cash equivalents, other bank balances, trade receivables, unbilled receivable and other financial assets are considered to be the same as their fair values due to their short term nature and recoverability from the parties.

Note 31 : Financial instruments and risk management - Financial risk management

The Company's activities are exposed to Credit risk, Market risk and Liquidity risk. The Company emphasises on risk management and has an enterprise wide approach to risk management. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devises appropriate controls, evaluating and reviewing the control mechanism.

(A) Credit risk

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks. Credit risk of the Company is managed at the company level.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The Company follows a 'simplified approach' (i.e. based on lifetime ECL) for recognition of impairment loss allowance on Trade receivables. For the purpose of measuring lifetime ECL allowance for trade receivables, the company estimates irrecoverable amounts based on the ageing of the receivable balances and historical experience. Further, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively and for major receivable assessed for impairment individually. Individual trade receivables are written off when management deems them not to be collectible.

The ageing analysis of the receivables (gross of provisions) has been considered from the date of invoice

Particulars	As at March 31, 2020	As at March 31, 2019
Not Due	1,008.26	2,895.09
0-30 days	54.38	869.50
31-60 days	723.24	264.38
60-90 days	1,107.24	284.50
90-180 days	268.09	917.16
More than 181 days	2,023.36	1,730.54
Gross total	**5,184.57**	**6,961.17**
Less: Expected credit loss	485.47	445.47
Net trade receivables	**4,699.10**	**6,515.70**

Expected credit loss for trade receivables under simplified approach

Particulars	As at March 31, 2020	As at March 31, 2019
Expected credit losses (ECL)		
Opening balance	445.47	335.13
Add: ECL Movement during the year	40.00	110.34
Closing balance	485.47	445.47

(B) Market risk

Market risk is the risk that the future value of a financial instrument will fluctuate due to movements in the market factors. The most common types of market risks are interest rate risk and foreign currency risk.

- **Interest rate risk**

  Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its market interest rates by fixed rate interest, rate that is linked to marginal cost of lending rate, etc. Hence, the Company is not significantly exposed to interest rate risks.

- **Foreign currency risk**

  Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company is not significantly exposed to this risk because of natural hedging in the form of imports and exports being at similar levels.

Foreign currency risk - Sensitivity

The analysis is based on the assumption that the foreign currency increases / (decreases) by 2.5% with all other variables held constant. The Company manages its market interest rates by fixed rate interest, rate that is linked to marginal cost of lending rate, etc. Hence, the Company is not significantly exposed to interest rate risks.

Unhedged foreign currency exposure as at the reporting date

	As at March 31, 2020			
	AED (in number)	**USD (in number)**	**EURO(in number)**	**Equivalent amount in INR lakhs**
Foreign currency assets				
Trade receivable (for supplies and services)	-	6,212	-	4.68
Balance with banks	-	1,79,518	-	135.33
Deposits recoverable	-	1,325	-	0.89
Total	-	1,87,055	-	140.90
Foreign currency liabilities				
Payables for supplies and services	-	6,24,879	2,68,303	693.89
Buyers Credit	-	11,70,870	-	882.67
Total	-	17,95,749	2,68,303	1,576.57
Net foreign currency assets / (liabilities)	-	(16,08,694)	(2,68,303)	(1,435.66)
Non-monetary items				
(having no exposure to future foreign currency movement):				
Advance for purchase of spares and equipment	-	7,249	1,38,625	118.02
Advance from customers	-	5,12,313	8,000	376.15

	As at March 31, 2019			
	AED (in number)	USD (in number)	EURO (in number)	Equivalent amount in INR lakhs
Foreign currency assets				
Trade receivable (for supplies and services)	-	18,680	-	12.92
Balance with banks	-	2,29,625	-	158.84
Deposits Recoverable	-	1,325	-	0.89
Total	-	2,49,630	-	172.65
Foreign currency liabilities				
Payables for supplies and services	-	17,56,189	-	1,214.78
Total	-	17,56,189	-	1,214.78
Net foreign currency assets / (liabilities)	-	(15,06,559)	-	(1,042.13)
Non-monetary items				
(having no exposure to future foreign currency movement):				
Advance for purchase of spares and equipment	-	1,69,069	50,000	160.91
Advances for supplies	6,663	-	-	1.22
Advance from customers	-	75,179	-	53.19

2.5% increase or decrease in foreign exchange rates will have the following impact on profit / (loss) before tax

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
AED	-	0.03
USD	(30.32)	(24.44)
EURO	(5.57)	-

(C) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company's objective is to maintain a balance between continuity of funds through the use of bank overdrafts, loan from directors and other means of borrowings. The company invests its surplus funds in deposits with maturity of 12 months, which carry no / low mark to market risk.

The table below provides details regarding the remaining contractual maturities of financial liabilities at the reporting date

	< 1 Year	1-3 Years	> 3 Years	Total
Year ended March 31, 2020				
Non-current borrowings	262.50	391.77	-	654.27
Current borrowings	5,384.52	-	-	5,384.52
Trade and other payable	1,884.31	-	-	1,884.31
Other financial liabilities	1,055.26	13.55	-	1,068.81
Total financial liabilities	**8,586.59**	**405.32**	**-**	**8,991.91**
Year ended March 31, 2019				
Non-current borrowings	262.50	525.00	127.09	914.59
Current borrowings	1,840.08	-	-	1,840.08
Trade and other payable	2,587.38	-	-	2,587.38
Other financial liabilities	1,088.73	8.30	-	1,097.03
Total financial liabilities	**5,778.69**	**533.30**	**127.09**	**6,439.08**

D) Other risk – Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the new corona virus ("COVID-19") as a pandemic. This outbreak is causing significant disturbance and slowdown of economic activity. The company's operations were impacted in the month of March, 2020, following nationwide lockdown announced by the Government of India.

The management has assessed the impact of COVID-19 pandemic on the financial statements, business operations, liquidity position, cash flow and has concluded that based on the current estimates no material adjustments are required in the carrying amounts of assets and liabilities as at 31st March, 2020.

The impact of the pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

Note 32: Capital management

(a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

The company's strategy is to maintain a gearing ratio within 30%. The gearing ratio were as follows:

	As at March 31, 2020	As at March 31, 2019
Net debt*	4,528.71	(116.39)
Equity	19,646.78	20,937.47
Total capital (net debt + equity)	**24,175.49**	**20,821.08**
Gearing ratio (Net debt / Total capital)	**18.73%**	**-0.56%**

* Net debt is as follows

A)	Borrowings		
	Non-current borrowings	391.77	652.09
	Current borrowings	5,384.52	1,840.08
	Current maturity of long term debt	262.50	262.50
	Total (A)	**6,038.79**	**2,754.67**
B)	Cash and cash equivalents	190.40	228.53
	Bank balances other than cash and cash equivalents	1,319.68	2,642.53
	Total (B)	**1,510.08**	**2,871.06**
C)	**Net debt (A-B)**	**4,528.71**	**(116.39)**

(b) Loan covenants

Under the terms of major borrowing facilities, the company is required to comply with the following financial covenants:

* Total net worth should be greater than Rs. 60 crores including deferred tax liabilities.

* Total outside liabilities should be less than 1.25 times of the total net worth of the company

* Debt service coverage ratio should be greater than 1.50 throughout the tenor of the loan

The company has complied with these covenants throughout the reporting period.

Note 33: Contingent liabilities

	As at March 31, 2020	As at March 31, 2019
On account of letters of credit and guarantees issued by the bankers	4,736.21	5,156.28
Claims against the company not acknowledged as debts in respect of		
- Sales tax (It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings)	575.83	575.83

Note 34: Commitments

	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,258.32	1,777.11

Note 35: Payables to Micro, Small & Medium Enterprises

Information pertaining to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below has been determined to the extent such parties have been identified on the basis of information available with the company:

	As at March 31, 2020	As at March 31, 2019
Principal amount remaining unpaid as at year-end	1.70	46.37
Interest due thereon as at year-end	-	-
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the suppliers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	-	-
Interest accrued and remaining unpaid as at year-end	-	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	-	-
Note: The list of undertakings covered under MSMED was determined by the company on the basis of information available with the Company and has been relied upon by the auditors.		

Note 36: Interest in other entities

The Company's subsidiaries and Joint ventures as at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the company, and the proportion of ownership interests held equals the voting rights held by the company.

Name of the entity	Relationship	Principal activity	Ownership interest	
			As at March 31, 2020	As at March 31, 2019
Premier Wire Products Limited	Subsidiary	Manufacture of galvanised Iron wire	80%	80%
PELNEXT Defence Systems Private Limited	Wholly owned subsidiary	Manufacture of defence products	100%	100%
BF Premier Energy Systems Private Limited	Joint venture	Manufacture of defence products	50%	50%

Note 37: Related party transactions

Relationship	Name of related party
(a) Enterprises where control exists	
Wholly owned subsidiaries	PELNEXT Defence Systems Private Limited
Subsidiaries	Premier Wire Products Limited
Joint ventures	BF Premier Energy Systems Private Limited
(b) Key management personnel (KMP)	Dr. A.N.Gupta, Chairman & Managing Director
	Mr. T.V.Chowdary, Deputy Managing Director
	Mr. Y. Durga Prasad Rao , Whole time Director (w.e.f. 10.08.2019)
	Dr. (Mrs.) Kailash Gupta, Non Executive Director
	Mr. Anil Kumar Mehta, Independent Director
	Mr. P.R.Tripathi, Independent Director
	Mr. K.Rama Rao, Independent Director
	Dr. A.Venkat Raman, Independent Director
	Lt. Gen P.R.Kumar, Independent Director
(c) Relatives of key management personnel	Mrs.T.Malati
	Mrs.T.Shruti
(d) Concerns in which key management personnel have substantial interest (significant interest entities)	A.N.Gupta(HUF)
(e) Concerns in which relatives of key management personnel have substantial interest (significant interest entities)	Godavari Explosives Limited

(f) Transactions with related parties

	Amount of transaction	Amount Receivable / (Payable)	Amount of transaction	Amount Receivable / (Payable)
	For the year ended March 31, 2020	As at March 31, 2020	For the year ended March 31, 2019	As at March 31, 2019
Key management personnel				
Short term employee benefits				
Managerial remuneration	406.88	(7.33)	359.74	(43.07)
Others				
Acceptance of unsecured loan	190.50	-	316.90	-
Repayment of unsecured loan	92.00	-	295.87	(514.78)
Interest paid	74.56	(750.00)	77.36	(69.62)
Dividend paid	102.92	-	92.59	-
Sitting fees	8.60	-	10.00	(0.18)
Relatives of key management personnel				
Dividend paid	0.55	-	0.51	-
Concerns in which key management personnel have substantial interest (significant interest entities)				
Dividend paid	17.73	-	16.42	-
Concerns in which relatives of key management personnel have substantial interest (significant interest entities)				
Job work charges received	-	-	6.90	-
Concerns in which the company has substantial interest (subsidiary company)				
Purchase of raw material	85.84	-	124.79	(13.59)
Acceptance of unsecured loan	275.00	(266.05)	-	-
Repayment of unsecured loan	15.00	-	-	-
Interest paid	6.72	-	-	-
Rent paid	1.19	-	1.19	-

	Amount of transaction	Amount Receivable / (Payable)	Amount of transaction	Amount Receivable / (Payable)
	For the year ended March 31, 2020	As at March 31, 2020	For the year ended March 31, 2019	As at March 31, 2019
Concerns in which the company has substantial interest (wholly owned subsidiary company)				
Loan given	1.00	2.15	1.00	1.03
Interest income	0.13		0.03	

Information regarding significant transactions

(Generally in excess of 10% of the total transaction value of the same type)

Nature of transaction / related party	For the year ended March 31, 2020	For the year ended March 31, 2019
Acceptance of unsecured loans		
Dr. A.N.Gupta	152.00	253.30
Dr. Kailash Gupta	-	63.60
Premier Wire Products Limited	275.00	-
Interest paid		
Dr. A.N.Gupta	59.50	53.60
Dr. Kailash Gupta	15.06	23.76
Job work charges received		
Godavari Explosives Limited	-	6.90
Managerial remuneration paid*		
Dr. A.N.Gupta	285.13	278.79
Mr. T.V. Chowdary	97.03	80.95
Repayment of unsecured loans		
Dr. A.N.Gupta	52.00	156.06
Dr. Kailash Gupta	40.00	139.81
Premier Wire Products Limited	15.00	
Sitting fees		
Dr. Kailash Gupta	1.90	2.10
Mr. Anil Kumar Mehta	2.40	2.80
Mr. P.R. Tripathi	1.50	1.70
Mr. K. Rama Rao	1.40	1.60
Purchase of raw materials		
Premier Wire Products Limited	85.84	124.79
Rent paid		
Premier Wire Products Limited	1.19	1.19
Loan given		
PEL NEXT Defence Systems Private Limited	1.00	1.00
Interest income		
PEL NEXT Defence Systems Private Limited	0.13	0.03
Dividend paid		
Dr. A.N.Gupta	70.42	63.63
Dr. Kailash Gupta	31.52	27.57
A.N Gupta (HUF)	17.73	16.42

* As gratuity and leave encashment are computed for all the employees in aggregate, the amounts relating to the key managerial personnel cannot be individually identified.

(g) Terms and conditions

(i) Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

(ii) The loans accepted from key managerial personnel carries interest rate of 11% per annum.

(iii) Purchase of raw materials from subsidiary during the year based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

(iv) All outstanding balances are unsecured and repayable in cash.

Note 38: Donation to political parties

	For the year ended March 31, 2020	For the year ended March 31, 2019
Communist party of India (Marxist Leninist)	0.40	1.75
	0.40	**1.75**

Note 39: Earnings / (Loss) per share (EPS)

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	**Basic & Diluted EPS (Rs.)**		
	Earnings per share attributable to the equity holders of the company	(8.91)	11.00
(c)	**Reconciliation of earnings used in calculating earnings per share**		
	Basic and Diluted earnings per share		
	Profit / (Loss) attributable to the equity holders of the company used in calculating earnings per share:	(958.24)	1,172.55
(d)	**Weighted average number of shares used as the denominator**		
	Weighted average number of equity shares used as the denominator in calculating basic earnings per share	10,752,239	10,657,636
	Adjustments for calculation of diluted earnings per share	-	-
	Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	10,752,239	10,657,636

Note 40: Assets pledged as security

The carrying amounts of Company's assets pledged as security for current and non-current borrowings are:

	As at March 31, 2020	As at March 31, 2019
Working capital loans from banks (secured)		
Primary security		
Current assets		
Financial assets	6,388.39	9,508.94
Non financial assets	5,375.26	3,724.84
Collateral security		
non-current assets		
Non financial assets	17,320.59	14,738.27
Towards current borrowings	**29,084.24**	**27,972.05**
Non-current borrowings from banks (secured)		
Primary security		
Non-current assets		
Non financial assets (Assets purchased out of said loans)	1,302.61	1,306.43
Collateral security		
Current assets		
Financial assets	6,388.39	9,508.94
Non financial assets	5,375.26	3,724.84
Towards non-current borrowings	**13,066.26**	**14,540.21**

Note 41: Utilisation of fund raised through Qualified Institutional Placement & Preferential Issue

During the year ended March 31, 2020 the company has raised Rs. Nil (2019: Rs.341.21 lakhs) primarily for business expansion, working capital purposes and any other purposes as may be permissible under applicable law.

Utilisation of funds	For the year ended March 31, 2020	For the year ended March 31, 2019
Business expansion & Working capital utilisation	**1,660.65**	1,492.48

Note 42: Events occurring after the reporting period

Proposed dividend

Final dividend recommended by the directors which is subject to the approval of shareholders in the ensuing annual general meeting

	For the year ended March 31, 2020	For the year ended March 31, 2019
On (March 31, 2019: 1,07,52,239) equity shares of Rs.10/- each		
Amount of dividend proposed*	-	290.31
Dividend per equity share (Rs.)	**-**	**2.70**

* Excluding dividend distribution tax which is payable on payment of dividend.

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAT3276

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

INDEPENDENT AUDITOR'S REPORT

To The Members of PREMIER EXPLOSIVES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **PREMIER EXPLOSIVES LIMITED** ("the Holding Company") and its subsidiaries, (Holding Company and its subsidiaries together referred to as "the Group") which includes the Group's share of loss in its joint venture, which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and 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, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries and joint ventures referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31,2020, and their consolidated loss, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, and joint venture in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the sub-paragraphs (a) of the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw your attention to Note 31(D) of the Consolidated financial Statements, which describes the management's assessment of the financial impact of the events arising out of Coronavirus (Covid-19) pandemic, for which a definitive assessment of the impact in the subsequent period is dependent upon the circumstances as they evolve.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. we have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key Audit Matter (Standalone)	Auditor's Response
1	**Fair value assessment of trade receivables** Trade receivables comprise a significant portion of the liquid assets of the Company. As indicated in Note 31(A) to the consolidated financial statements, 44.20% of the trade receivables of the parent are past due more than 90 days. The most significant portion of the trade receivables over 90 days comprises of Public Sector companies and Government organisations which are within their historic payment patterns. Company applies the simplified approach and recognises Expected credit loss (ECL) for trade receivable balances (refer standalone Note No 31(A)). Trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics, by grouping days past due of customers. Accordingly, the estimation of the Expected Credit Losses allowances on trade receivables outstanding as at year end is a significant judgement area, hence considered as a key audit matter. (Standalone Trade receivables outstanding as at March 31, 2020 – Rs 5184.57 lakhs – which is near to 75% of total financial assets)	**Principal audit procedures performed:** We have Performed Audit confirmation procedures and due to non-response of the same, we performed alternative procedures as below to assess the validity outstanding receivables. • We verified payments received subsequent to year-end against the outstanding amounts as on March 31, 2019. • Verified client source documentation to provide evidence for the existence assertion of the receivables. • Performed Analytical procedures for revenue recognised to find out unusual patterns in sales to identify potentially impaired balances. • Enquiries with respective Marketing managers and with those charged with governance about long outstanding customer balances. The assessment of the appropriateness of the ECL allowance for trade receivables comprised of audit procedures including: 1. We assessed management's ECL impairment model consistent with the requirements of IND AS 109; 2. We tested the mathematical accuracy of Management's ECL impairment model; 3. We agreed the data utilised in Management's ECL impairment model at March 31, 2020 to receivables aging report, calculations and other audited information; 4. We challenged assumptions and judgements made by Management through discussion, comparison to data and our knowledge of the operations as gained through our audit in determining future expected loss rates.

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

- The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors report including annexures to directors' report Corporate governance and Management discussion and analysis (MD & A), but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon. These reports containing other information is expected to be made available to us after the date of this auditor's report.
- Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available , compare with the financial statements of the subsidiaries and joint venture audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries and joint venture is traced from their financial statements audited by the other auditors.
- When we read the Directors report including annexures to directors report, Corporate governance and Management discussion and analysis (MD & A), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group including its joint venture in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint venture 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its joint venture are also responsible for overseeing the financial reporting process of the Group and of its joint venture.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 financial 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 Parent/ Holding 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 the management.
- 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 Group and its joint venture 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 consolidated 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 Group and its joint venture to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the entities or business activities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated 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 consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements two subsidiaries whose financial statements reflect total assets of Rs.886.66 Lakhs as at March 31, 2020, total revenues of Rs.729.67and net cash outflows amounting to Rs.1.87 Lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of Rs. 0.13 lakhs for the year ended March 31, 2020, as considered in the consolidated financial statements in respect of One joint venture whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint venture, and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and joint venture is based solely on the reports of the other auditors.

(b) One of the Subsidiary incurred a net loss of before tax of Rs.43.80 Lakhs during the year ended 31st March 2020 and the subsidiary company has accumulated loss of Rs. 168.96 lakhs before considering Revaluation reserve of Rs.175.94 Lakhs as at March 31, 2020. The events or conditions indicate that a material uncertainty exists that may cast significant doubt on the subsidiary company's ability to continue as a going concern. The auditors of subsidiary have referred this matter in the "Material Uncertainty related to Going Concern" paragraph in their audit report

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of other auditors on the separate financial statements of the subsidiaries and joint venture referred to in the Other Matters section above we report, to the extent applicable 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 of the aforesaid consolidated financial statements.

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

    c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

    d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies and joint venture, none of the directors of the Group companies, joint venture company is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Holding company and one of the subsidiary company. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

With respect to one joint venture and one subsidiary company, exemption available for reporting under section 143(3)(i) of the Act, in terms of the notification no. G.S.R. 583(E) dated 13 June 2017 issued by the Ministry of Corporate Affairs, Government of India, read with general circular No. 08/2017 dated 25 July 2017.

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 explanations given to us, the remuneration paid by the Holding Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

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,as amended in our opinion and to the best of our information and according to the explanations given to us:

i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and joint venture (Refer Note no 33 to the consolidated Financial statements).

ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts, Group and joint venture does not have any derivative contracts.

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and joint venture company.

For MAJETI & CO
Chartered Accountants
Firm's Registration No: 015975S

Kiran Kumar Majeti
Partner
Membership No: 220354
UDIN No: 20220354AAAAAU9127

Place: Hyderabad
Date: June 29, 2020

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of **PREMIER EXPLOSIVES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiary companies and joint venture, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company, its subsidiary companies, and its joint venture, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the respective Companies 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 (ICAI)". 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 respective 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 internal financial controls over financial reporting of the Holding Company, its subsidiary companies and joint venture, which are companies incorporated in India, 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of the subsidiary companies and joint venture, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company, its subsidiary companies and joint venture, which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Holding Company and its subsidiary company have 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, 2020, based on "the criteria for internal financial control over financial reporting established by the respective companies 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".

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company incorporated in India, is based solely on the corresponding report of the auditors of such company incorporated in India.

Our opinion is not modified in respect of the above matters.

For MAJETI & CO
Chartered Accountants
Firm's Registration No: 015975S

Kiran Kumar Majeti
Partner
Membership No: 220354
UDIN No: 20220354AAAAAU9127

Place: Hyderabad
Date: June 29, 2020

CONSOLIDATED BALANCE SHEET

as at March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

Particulars				Note	As at March 31, 2020	As at March 31, 2019
ASSETS						
I	**Non-current assets**					
	(a)	Property, plant and equipment		3(a)	11,052.77	11,309.16
	(b)	Capital work-in-progress		3(a)	6,169.62	3,482.52
	(c)	Right - of - use asset		3(b)	77.74	-
	(d)	Investment property		4	8.02	8.02
	(e)	Intangible assets		5	450.46	406.84
	(f)	Investments accounted through equity method		6	-	0.13
	(g)	Financial assets				
	(h)	Trade receivables		10	-	28.76
	(i)	Other non-current assets		8	1,034.34	1,079.44
	Total Non-current assets				**18,792.95**	**16,314.87**
II	**Current assets**					
	(a)	Inventories		9	4,201.63	3,391.91
	(b)	Financial assets				
		(i)	Trade receivables	10	4,777.27	6,509.99
		(ii)	Cash and cash equivalents	11	200.57	240.57
		(iii)	Bank balances other than (ii) above	12	1,387.84	2,744.24
		(iv)	Unbilled receivable	7	153.58	124.38
	(c)	Other current assets		8	1,201.41	541.07
	Total Current assets				**11,922.30**	**13,552.16**
	TOTAL ASSETS				**30,715.25**	**29,867.03**
EQUITY AND LIABILITIES						
III	**Equity**					
	(a)	Equity share capital		13	1,075.22	1,075.22
	(b)	Other equity			18,565.97	19,894.64
	Equity attributable to equity share holders of parent				**19,641.19**	**20,969.86**
	Non controlling interest				131.52	141.13
	Total Equity				**19,772.71**	**21,110.99**
IV	**Non-current liabilities**					
	(a)	Financial liabilities				
		(i)	Borrowings	14	391.77	652.09
		(ii)	Other financial liabilities	15	14.55	8.80
	(b)	Provisions		16	398.72	322.74
	(c)	Deferred tax liabilities (net)		17	931.49	1,424.91
	(d)	Other non-current liabilities		18	4.03	4.95
	Total Non-current liabilities				**1,740.56**	**2,413.49**
V	**Current liabilities**					
	(a)	Financial liabilities				
		(i)	Borrowings	14	5,118.47	1,840.08
		(ii)	Trade payables:			
			- dues to micro and small enterprises		1.70	32.78
			- dues to others (refer note: 35)		1,889.03	2,552.30
		(iii)	Other financial liabilities	15	1,326.84	1,384.80
	(b)	Other current liabilities		18	687.86	318.42
	(c)	Provisions		16	142.68	137.35
	(d)	Current tax liabilities (net)		19	35.40	76.82
	Total current liabilities				**9,201.98**	**6,342.55**
	Total liabilities				**10,942.54**	**8,756.04**
TOTAL EQUITY AND LIABILITIES					**30,715.25**	**29,867.03**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAU9127

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

	Particulars	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
I	Revenue from operations	20	16,452.09	25,303.19
II	Other income	21	146.18	264.79
III	**Total revenue (I+II)**		**16,598.27**	**25,567.98**
IV	**Expenses**			
	Cost of materials consumed	22	9,574.15	13,783.36
	Purchases of stock in trade		267.37	401.15
	Changes in inventories of finished goods, work-in-progress and scrap	23	(1,328.27)	533.08
	Employee benefits expense	24	5,026.49	4,811.07
	Finance costs	25	574.66	557.73
	Depreciation and amortization expense	26	527.32	448.98
	Research and development expenses	27	91.23	90.70
	Other expenses	28	3,366.72	3,360.73
	Total expenses (IV)		**18,099.67**	**23,986.80**
V	**Profit / (Loss) before tax and before share of (loss) of investments accounted through equity method (III-IV)**		**(1,501.40)**	**1,581.18**
VI	**Share of (loss) from joint venture accounted through equity method**		**(0.13)**	**(0.26)**
VII	**Profit / (Loss) before tax (V-VI)**		**(1,501.53)**	**1,580.92**
VIII	**Tax expense**			
	Current tax	29	1.16	402.84
	Deferred tax	29	(500.18)	51.43
	Total tax expense		**(499.02)**	**454.27**
IX	**Profit / (Loss) for the year (VII-VIII)**		**(1,002.51)**	**1,126.65**
X	**Other comprehensive income**			
	(A) Items that will not be reclassified to profit or loss			
	Remeasurements of post-employment benefit obligations		19.81	(125.14)
	Income tax relating to above		(5.60)	43.71
	Other comprehensive income after tax for the year (X)		**14.21**	**(81.43)**
XI	**Total comprehensive income for the year (IX+X)**		**(988.30)**	**1,045.22**
	Profit / (Loss) attributable to:			
	(a) Owners of Premier Explosives Limited		(992.96)	1,135.53
	(b) Non-controlling interest		(9.55)	(8.88)
			(1,002.51)	**1,126.65**
	Other comprehensive income			
	(a) Owners of Premier Explosives Limited		14.27	(81.41)
	(b) Non-controlling interest		(0.06)	(0.02)
			14.21	**(81.43)**
	Total comprehensive income for the year			
	(a) Owners of Premier Explosives Limited		(978.69)	1,054.12
	(b) Non-controlling interest		(9.61)	(8.90)
			(988.30)	**1,045.22**
	Earnings / (Loss) per share (par value of Rs.10 each)			
	Basic		(9.32)	10.57
	Diluted		(9.32)	10.57

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAU9127

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

CONSOLIDATED CASH FLOW STATEMENT

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
A	**Cash flow from operating activities**		
	Profit / (Loss) before tax	(1,501.53)	1,580.92
	Adjustments for:		
	Depreciation and amortisation expense	527.32	448.98
	Unrealised foreign exchange gain(net)	(14.17)	(49.42)
	Expected credit loss	40.00	110.34
	Bad debts written off	637.50	242.05
	Unbilled revenue receivable written off	-	88.12
	Interest income	(126.11)	(257.93)
	Finance costs	574.66	557.73
	Remeasurements of post-employment benefit obligation	19.81	(125.14)
	Deferred government grant income	(0.91)	(0.91)
	(Profit) on sale of Property, Plant and Equipment	(15.05)	(1.25)
	Book deficit on assets discarded	-	0.34
	Operating cash flow before working capital changes	**141.52**	**2,593.83**
	Adjustments for		
	Trade receivables, financial assets and other assets	423.03	2,710.04
	Inventories	(809.72)	354.57
	Trade payables, other liabilities and provisions	(194.87)	(74.49)
	Cash generated from operating activities	**(440.04)**	**5,583.95**
	Income tax paid	200.17	562.90
	Net cash generated from operating activities	**(640.21)**	**5,021.05**
B	**Cash flows from investing activities**		
	Payments for property, plant and equipment, intangible assets and capital work-in-progress	(2,944.81)	(3,791.37)
	Proceeds from disposal / sale of property, plant and equipment	15.99	2.07
	Redemption in bank deposits (having original maturity of more than three months) (Net)	1,305.30	897.71
	Interest received	177.28	268.62
	Net cash inflow / (outflow) from investing activities	**(1,446.24)**	**(2,622.97)**
C	**Cash flows from financing activities**		
	Proceeds / (repayment) of Long term borrowing (net)	(260.32)	(134.74)
	Proceeds / (repayment) of short-term borrowings (net)	3,278.39	(1,732.18)
	Interest paid	(635.81)	(551.11)
	Dividend and dividend tax paid	(349.98)	(320.59)
	Proceeds from issue of share capital including securities premium		
	- to promoters and others (Preferential allotment)	-	341.21
	Net cash inflow / (outflow) from financing activities	**2,032.28**	**(2,397.41)**
D	**Net increase (decrease) in cash and cash equivalents**	(54.17)	0.67
	Exchange difference on translation of foreign currency cash and cash equivalents	14.17	1.35
	Cash and cash equivalents at the beginning of the year	240.57	238.55
E	**Cash and cash equivalents at end of the year**	**200.57**	**240.57**
F	**Reconciliation of cash and cash equivalents as per cash flow statement:**		
	Cash and cash equivalents as per above comprise of the following:		
	Cash and cash equivalents (refer note: 11)	200.57	240.57
	Balance as per statement of cash flows	**200.57**	**240.57**

The accompanying notes are an integral part of the financial statements

1 The Cash flow statement has been prepared under the indirect method as set out in Ind As 7 "Statement of Cash Flows".
2 Previous year figures have been regrouped / reclassified to confirm to current year classification.
3 Taxes paid are treated as arising from operating activities and are not bifurcated between investing and financing activities.

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAU9127

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2020

(All amounts in INR lakhs, unless otherwise stated)

A	**Equity share capital**			
	Issued, subscribed and paid up equity shares of Rs 10/- each	**Note No.**	**No of Shares**	**Amount**
	As at April 01, 2018		1,06,37,139	1,063.71
	Change during the year		1,15,100	11.51
	As at March 31, 2019		**1,07,52,239**	**1,075.22**
	Change during the year		-	-
	As at March 31, 2020	**13**	**1,07,52,239**	**1,075.22**

B Other Equity

	Attributable to Equity holders of Parent							Non-controlling interest	Total
	Reserves & surplus				Money received against share warrants	Other comprehensive income	Total other equity		
	Capital reserve	Securities premium	General reserve	Retained earnings		Actuarial (gains) / losses			
Balance as at April 1, 2018	**0.94**	**7,265.98**	**1,701.20**	**9,856.24**	**148.80**	**(141.75)**	**18,831.41**	**150.03**	**18,981.44**
Profit for the year	-			1,135.53			1,135.53	(8.88)	1,126.65
Actuarial (gain) / loss on post -employment benefits obligation, net of income tax	-					(81.41)	(81.41)	(0.02)	(81.43)
Total comprehensive income for the year	**-**	**-**	**-**	**1,135.53**		**(81.41)**	**1,054.12**	**(8.90)**	**1,045.22**
Transactions with owners in their capacity as owners									
Issue of shares through preferential allotment		458.10	-	-	(128.40)	-	329.70	-	329.70
Forfeiture of share warrants	20.40	-	-	-	(20.40)	-	-	-	-
Dividend (including tax on dividend)	-	-	-	(320.59)			(320.59)	-	(320.59)
	20.40	**458.10**	**-**	**814.94**	**(148.80)**	**(81.41)**	**1,063.23**	**(8.90)**	**1,054.33**
Balance as at March 31, 2019	**21.34**	**7,724.08**	**1,701.20**	**10,671.18**	**-**	**(223.16)**	**19,894.64**	**141.13**	**20,035.77**
Balance as at April 1, 2019	**21.34**	**7,724.08**	**1,701.20**	**10,671.18**	**-**	**(223.16)**	**19,894.64**	**141.13**	**20,035.77**
Loss for the year	-			(992.96)			(992.96)	(9.55)	(1,002.51)
Remeasurements of defined benefit plan, net of income tax	-					14.27	14.27	(0.06)	14.21
Total comprehensive income for the year	**-**	**-**	**-**	**(992.96)**		**14.27**	**(978.69)**	**(9.61)**	**(988.30)**

B Other Equity

	Attributable to Equity holders of Parent							Non-controlling interest	Total
	Reserves & surplus				Money received against share warrants	Other comprehensive income	Total other equity		
	Capital reserve	Securities premium	General reserve	Retained earnings		Actuarial (gains) / losses			
Transactions with owners in their capacity as owners									
Dividend (including tax on dividend)	-	-	-	(349.98)			(349.98)		(349.98)
	-	**-**	**-**	**(1,342.94)**		**14.27**	**(1,328.67)**	**(9.61)**	**(1,338.28)**
Balance as at March 31, 2020	**21.34**	**7,724.08**	**1,701.20**	**9,328.24**		**(208.89)**	**18,565.97**	**131.52**	**18,697.49**

The accompanying notes are an integral part of the financial statements

Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents share application money received from allottees and forfeiture due to non payment of remaining call money within due date as per terms of issue.

(ii) Securities premium reserve

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

(iii) General reserve

General reserve is used for strengthening the financial position and meeting future contingencies and losses.

(iv) Retained earnings

This reserve represents the cumulative profits of the group. It includes land revaluation amount of Rs. 5,746.53 lakhs on Ind AS transition date (i.e. April 01, 2016) which will not be available for declaration of dividend as per Companies (Declaration and payment of Dividend) Rules, 2014.

As per our report of even date

For and on behalf of the Board

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAU9127

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Secunderabad
June 29, 2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in INR lakhs, unless otherwise stated)

1. **Background**

1.1 Premier Explosives Limited (PEL), (the 'company') is a public limited company incorporated in the year 1980 under the provisions of erstwhile Companies Act, 1956 having its registered office at Secunderabad in the state of Telangana, India. The equity shares of the company are listed with two stock exchanges in India viz., BSE Limited, Mumbai and the National Stock Exchange of India Limited, Mumbai.

1.2 The company is engaged in manufacture of high energy materials like bulk explosives, packaged explosives, detonators, detonating fuse, solid propellants, pyrogen igniters, pyro devices, etc., having applications in mining, infrastructure, defence, space, homeland security and such other areas. The company also operates and maintains solid propellant plants of defence and space establishments.

1.3 The consolidated financial statements are approved for issue by the Company's Board of Directors on June 29, 2020.

2. **Significant accounting policies**

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

(i) **Compliance with Ind AS**

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

(ii) **Historical cost convention**

The financial statements have been prepared as a going concern on accrual basis of accounting. The group has adopted historical cost basis for assets and liabilities except for certain items which have been measured on a different basis and such basis is disclosed in the relevant accounting policy.

(iii) **New and amended standards adopted by the group**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing April 1, 2019:

– Ind AS 116, Leases

The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) **Current and non-current classification**

An asset is classified as current, if

(i) It is expected to be realized or sold or consumed in the group's normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) It is cash or a cash equivalent unless it is 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 classified as current, if

(i) It is expected to be settled in normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be settled within twelve months after the reporting period;

(iv) It has 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.

All assets and liabilities have been classified as current or non-current as per group's operating cycle and other criteria set out in Schedule-III of the Companies Act, 2013. Based on the nature of business, the group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker. The group is engaged in the business of "High Energy Materials" and has only one reportable segment in accordance with Ind AS 108 "Operating Segment".

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent and its subsidiaries as at March 31, 2020.

Subsidiaries

Subsidiaries are the entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Joint venture

Interests in joint ventures are accounted for using the equity method (see below), after initially being recognised at cost in the consolidated balance sheet.

The financial statements of each of the subsidiaries and joint venture used for the purpose of consolidation are drawn up to same reporting date as that of the Company, i.e., year ended on March 31.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2.4 Functional and presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. 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 differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non- monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as Fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income.

2.5 Critical estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement 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 judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates or judgements are

– Estimation of current tax expense and payable
– Estimation of defined benefit obligation [refer note: 24(a) (ii)]
– Estimation of expected credit loss on financial assets [refer note: 31(A)]
– Estimation of useful life of fixed assets
– Estimation of useful life of intangible asset
– Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19) [refer note: 31(D)]

2.6 Revenue recognition

Sale of Products - Recognition & Measurement

Revenue from the sale of products is recognised at the point in time when the products are delivered to the customer (as it considered as that customer has obtained

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

the control / legal title has been transferred) as per the terms of the contract. Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

The Group's customers pay for products received in accordance with payment terms that are customary in the industry and do not have significant financing components.

For revenues disaggregated by geography and timing of recognition [refer note 20]

Liquidated damages and penalties are accounted as per the contract terms wherever there is a delay / default attributable to the Group and when there is a reasonable certainty with which the same can be estimated.

Sale of Services- Recognition & Measurement

Revenue from operations and maintenance services are recognised on output basis measured by efforts expended, number of transactions processed, etc.

Some contracts include multiple deliverables, such as the sale of products required for maintenance services. It is therefore accounted for as a separate performance obligation. The revenue from sale of products is recognised at a point in time when the product is delivered, the legal title has been passed and the customer has accepted the product.

Dividend income

Dividend income on investments is accounted for when the right to receive the payment is established, which is generally when shareholders approve the dividend. Dividend income is included in Other income in the Statement of profit and loss.

Interest income

Interest income on all financial assets is measured at amortised cost, using the effective interest rate (EIR) method and is recognised in the statement of profit and loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the expected credit loss).

2.7 Property, plant and equipment

Freehold land is carried at deemed cost. On transition to Ind AS, the group has elected the option of fair value as deemed cost of land as at April 01, 2016. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On transition to Ind AS, the group has elected to continue with the carrying value of all its property, plant and equipment recognised as at April 01,2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit and loss in the period the item is derecognised.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance sheet date is classified as capital advances under other non-current assets and the cost of assets not ready to use before such date are disclosed under 'Capital work-in-progress'

Capital work-in-progress includes cost of property, plant and equipment under installation / under development as at the balance sheet date.

Depreciation methods, estimated useful lives and residual value

Depreciation is computed on a straight line method to allocate their cost, net of their residual values, over their estimated useful lives in the manner prescribed in Schedule II of the Act.

The group reviews the residual value, useful lives and depreciation method annually and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate on a prospective basis. The residual values are not more than 5% of the original cost of the asset. Property, plant and equipment individually costing Rs. 5,000 or below are fully depreciated in the year of purchase. Depreciation on additions / deletions is calculated on a monthly pro-rata basis.

2.8 Intangible assets and amortisation

(i) Computer software

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- the expenditure attributable to the software during its development can be reliably measured.

(ii) **Transfer of Technology**

Separately acquired transfer of technology is shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) **Amortisation methods and periods**

The group amortises intangible assets using the straight-line method over the following periods:

- Computer Software – 3 years based on their estimated useful lives.
- Transfer of Technology – 10 years based on finite useful life.

All intangible assets are tested for impairment. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation expenses and impairment losses and reversal of impairment losses are taken to the Statement of profit and loss. Thus, after initial recognition, an intangible asset is carried at its cost less accumulated amortisation and / or impairment losses.

2.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the amount of proceeds, net of direct costs of the capital issue.

2.10 Financial instruments

Classification, initial recognition and measurement

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. Financial instruments are recognised on the balance sheet when the group becomes a party to the contractual provisions of the instrument.

(i) **Financial assets**

Classification

The group classifies its financial assets in the following measurement categories

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

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

Subsequent measurement - Debt instruments

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

At amortised cost

Financial assets having contractual terms that give rise on specified dates to cash flows that are solely

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(All amounts in INR lakhs, unless otherwise stated)

payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows are classified in this category. Subsequently, these are measured at amortised cost using the effective interest method less any impairment losses.

At fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using effective interest rate method. Foreign exchange gains / (losses) and impairment expenses are presented as separate line item in statement of profit and loss.

At fair value through profit or loss (FVTPL)

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

Investment in subsidiaries and joint ventures

Investment in subsidiaries and joint ventures are measured at cost less impairment as per Ind AS 27.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the group's cash management.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(ii) **Financial liabilities**

Classification, initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Financial liabilities are carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Buyers' credit

The Company enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials. The financial institutions are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled up to twelve months, where these arrangements are for raw materials with a maturity of up to twelve months.

Derecognition of financial instruments

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset the difference between the carrying amount and the consideration received is recognised in the statement of profit and loss.

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. On de-recognition of a financial liability the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit and loss.

Offsetting financial instruments

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

2.11 Impairment of assets

Financial assets

The group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. In accordance with Ind AS 109, the group uses 'Expected Credit Loss' (ECL) model for evaluating impairment of financial assets other than those measured at fair value through profit and loss (FVTPL).The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are measured through a loss allowance at an amount equal to

– The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

– Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For trade receivables group applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The group uses historical default rates to determine impairment loss on the portfolio of trade receivables. At every reporting date these historical default rates are reviewed and changes in the forward looking estimates are analysed.

For other assets, the group uses 12month ECL to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk full lifetime ECL is used.

Non-financial assets

Property, plant & equipment and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability when there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. 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 cases, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss.

2.12 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of profit and loss for the period for which they are incurred.

2.13 Inventories

(i) Raw materials and stores and spares are valued at lower of cost, calculated on First-in-First-Out ("FIFO") basis, and net realisable value. Items held for use in the production of inventories are not written down below cost if the finished products in which these will be incorporated are expected to be sold at or above cost.

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(All amounts in INR lakhs, unless otherwise stated)

(ii) Finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity.

(iii) Cost of inventories also includes all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of first-in-first-out basis.

(iv) Scrap is valued at net realisable value. Obsolete, defective and unserviceable inventories are duly provided for.

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

2.14 Taxation

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

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

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 financial statements. 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.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries 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 recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries 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 realise the asset and settle the liability simultaneously.

Current and deferred taxes are recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised

2.15 Leases

Transition

Effective April 1, 2019, the group adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment (if any) to retained earnings as on the date of initial application. Ministry of Corporate Affairs ("MCA"), through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

Refer note 2.15 – Significant accounting policies – Leases in the Annual report of the Company for the year ended March 31, 2020, for the policy as per Ind AS 17. The adoption of the Standard has insignificant impact on the financial statements of the Company.

As a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

As a lessor

At the inception of the lease the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

2.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group 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 expense relating to any provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expense.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised unless it becomes virtually certain that an inflow of economic benefits will arise. When an inflow of economic benefits is probable, contingent assets are disclosed in the financial statements.

Provisions, Contingent liabilities and contingent assets are reviewed at each balance sheet date.

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(All amounts in INR lakhs, unless otherwise stated)

2.17 Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

2.18 Employee benefits

(i) Short-term obligations

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 recognised 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.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the appropriate market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The group operates the following post-employment schemes

(a) Defined benefit plans such as gratuity

(b) Defined contribution plans such as provident fund

(c) State plans

(a) Defined benefit plans - Gratuity obligations

The liability or assets recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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 gains and losses arising from experience adjustments and change in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(b) Defined contribution plans

The group pays provident fund contributions to publicly administered funds as per applicable regulations. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

(c) State plans

Employer's contribution to Employees' State Insurance is charged to statement of profit and loss.

2.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividend is recognised as a liability in the period in which the interim dividends are approved by the Board of Directors, or in respect of the final dividend when approved by shareholders.

2.20 Research and development expenditure

Revenue expenditure pertaining to research is charged to the statement of profit and loss. Product development costs are charged to the statement of profit and loss unless a product's technological and commercial feasibility has been established, in which case such expenditure is capitalised.

2.21 Earnings per share

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

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

2.22 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not used in the production of goods and services or for the administrative purposes, is classified as Investment property and is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

2.23 Government grants

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss under "Other Operating Income" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the group, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

2.23 Rounding off amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

2.24 Recent accounting pronouncements (Standards issued but not yet effective)

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards. There are no such notifications which would have been applicable from April 1, 2020.

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 3 (a): Property, plant and equipment

Particulars	Freehold Land	Leased hold lands	Freehold Building	Plant and Machinery		Furniture, fittings and equipment	Vehicles	Data processing Equipment	Total property, plant and equipment	Capital work-in-progress
				Plant and Machinery	Research and development equipment					
Year ended March 31, 2019										
Gross carrying amount										
Opening Gross carrying amount	6,229.80	47.68	2,120.85	4,586.49	142.35	176.20	159.63	64.36	13,527.36	1,579.17
Additions	10.88	32.48	401.39	769.91	26.71	5.57	-	3.66	1,250.60	3,465.67
Disposals	(0.82)	-	(0.62)	-	-	(0.02)	-	-	(1.46)	1,562.32
Closing gross carrying amount	6,239.86	80.16	2,521.62	5,356.40	169.06	181.75	159.63	68.02	14,776.50	3,482.52
Accumulated depreciation										
Opening accumulated depreciation	-	0.94	604.86	2,130.87	77.94	112.51	67.84	54.13	3,049.09	-
Depreciation charge during the year	-	0.67	72.62	298.83	10.37	15.85	15.57	4.64	418.55	-
Disposals	-	-	(0.28)	-	-	(0.02)	-	-	(0.30)	-
Closing accumulated depreciation	-	1.61	677.20	2,429.70	88.31	128.34	83.41	58.77	3,467.34	-
Net carrying amount as at March 31, 2019	**6,239.86**	**78.55**		**2,926.70**	**80.75**	**53.41**	**76.22**	**9.25**	**11,309.16**	**3,482.52**
Year ended March 31, 2020										
Gross carrying amount										
Opening Gross carrying amount	6,239.86	80.16	2,521.62	5,356.40	169.06	181.75	159.63	68.02	14,776.50	3,482.52
Reclassification on adoption of IND AS 116	-	(80.16)	-	-	-	-	-	-	(80.16)	-
Additions	6.75	-	-	62.78	142.97	5.40	75.64	3.33	296.87	2,732.75
Disposals	(0.92)	-	-	-		(0.09)			(1.01)	(45.65)
Closing gross carrying amount	6,245.69	-	2,521.62	5,419.18	312.03	187.06	235.27	71.35	14,992.20	6,169.62
Accumulated depreciation										
Opening accumulated depreciation	-	1.61	677.20	2,429.70	88.31	128.34	83.41	58.77	3,467.34	-
Reclassification on adoption of IND AS 116	-	(1.61)	-	-	-	-	-	-	(1.61)	-
Depreciation charge during the year	-	-	87.25	329.60	16.46	14.91	21.30	4.27	473.79	-
Disposals	-	-	-	-	-	(0.09)	-	-	(0.09)	-
Closing accumulated depreciation	-	-	764.45	2,759.30	104.77	143.16	104.71	63.04	3,939.43	-
Net carrying amount as at March 31, 2020	**6,245.69**	**-**	**1,757.17**	**2,659.88**	**207.26**	**43.90**	**130.56**	**8.31**	**11,052.77**	**6,169.62**

Notes:

1) Capital work in progress mainly comprises of new manufacturing unit being constructed at Katepally, which is expected to be capitalised in second quarter of the year 2020-21

2) Refer note 34 for disclosure of contractual commitments for the acquisition of property, plant and equipment

3) Refer note 40 for information on property, plant and equipment provided as security by the company

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019

Note 3(b): Right -of -use asset

	Land
Reclassification on account of adoption of IND AS 116 as at April 01,2019	78.55
Depreciations	(0.81)
Balance as at March 31, 2020	**77.74**

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

Note 4: Investment property

	As at March 31, 2020	As at March 31, 2019
Land	8.02	8.02
Net carrying amount	**8.02**	**8.02**

Fair value of the investment property determined by a recognised independent valuer Mr. K. Anjaneyulu, based on valuation as at April 1, 2016 is Rs. 250.24 lakhs. During the year management determines there is no significant change in fair value of property valuations.(Pricing model approach Level 3)

Note 5: Intangible assets

	Computer software	Technology transfer rights*	Total
Year ended March 31, 2019			
Gross carrying amount			
Opening gross carrying amount	32.03	-	32.03
Additions	2.46	432.00	434.46
Closing gross carrying amount	34.49	432.00	466.49
Accumulated amortization			
Opening accumulated amortization	29.22	-	29.22
Amortisation charge during the year	1.49	28.94	30.43
Closing accumulated amortization	30.71	28.94	59.65
Closing net carrying amount as at March 31, 2019	**3.78**	**403.06**	**406.84**
Year ended March 31, 2020			
Gross carrying amount			
Opening gross carrying amount	34.49	432.00	466.49
Additions	19.20	77.14	96.34
Closing gross carrying amount	53.69	509.14	562.83
Accumulated amortisation			
Opening accumulated amortization	30.71	28.94	59.65
Amortisation charge during the year	6.32	46.40	52.72
Closing accumulated amortization	37.03	75.34	112.37
Net carrying amount as at March 31, 2020	**16.66**	**433.80**	**450.46**

Technology transfer rights (Transfer of Technology) provided by Defence Research and Development Organisation (DRDO) and High Energy Materials Research Laboratory (HEMRL) to the Company for manufacturing of products for Indian Armed Forces which is amortised over the license period.

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019

Note 6: Investments accounted through equity method

	As at March 31, 2020	As at March 31, 2019
(Un quoted, fully paid up)		
Investment in equity instruments in joint venture (carrying amount determined using the equity method of accounting)		
BF Premier Energy Systems Private Limited 1,00,000 (March 31, 2019: 1,00,000) Equity shares of Rs.10/- each, fully paid	10.00	10.00
Add: Share of post acquisition loss	(10.00)	(9.87)
Total equity instruments	**-**	**0.13**
Total non-current investments	**-**	**0.13**
Aggregate amount of unquoted investments	-	0.13
Aggregate amount of impairment in the value of investment	-	-

Note 7: Unbilled receivable

	As at March 31, 2020	As at March 31, 2019
Unbilled receivable	153.58	124.38
Total unbilled receivable	**153.58**	**124.38**

Note 8: Other assets

(i) Non-current

	As at March 31, 2020	As at March 31, 2019
Capital advances	353.21	529.43
Advances other than capital advances:		
Security deposits	268.53	373.75
Pre-paid expenses	252.87	176.26
Advance taxes (net of provisions)	159.73	-
Total other non-current assets	**1,034.34**	**1,079.44**

(ii) Current

	As at March 31, 2020	As at March 31, 2019
Balances with government authorities	537.33	171.11
Prepaid expenses	249.33	167.18
Advances to suppliers	257.97	120.22
Other receivables	156.78	82.56
Total other current assets	**1201.41**	**541.07**

Note 9: Inventories (valued at lower of cost and net realisable value)

	As at March 31, 2020	As at March 31, 2019
Raw materials	1725.46	2220.15
Work-in-progress	1463.25	332.18
Finished goods	352.72	153.43
Stores and spares	654.63	678.49
Scrap (at net realisable value)	5.57	7.66
Total inventories	**4201.63**	**3391.91**
Raw materials includes stock in transit	6.9	13.2

Note 9 (a): Refer note 42 for information on inventories provided as security by the company.

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
Note 10: Trade receivables		
(i) Non-current		
Unsecured, doubtful		
Long term trade receivables	-	28.77
Less: Provision for expected credit loss (refer note: 31(A))	-	(0.01)
Total non-current trade receivables	**-**	**28.76**
(ii) Current		
Trade receivables	5262.74	6955.45
Less: Provision for expected credit loss (refer note: 31(A))	485.47	445.46
Total trade receivables	**4777.27**	**6,509.99**

Note 10(a): Refer note 42 for information on trade receivables provided as security by the company.

Note 10 (b): Breakup of security details:

Considered good- Secured	-	-
Considered good- Unsecured	5,262.74	6,984.22
Which have significant increase in credit risk	-	-
Credit impaired	-	-
	5,262.74	**6,984.22**
Less: Provision for expected credit loss (refer note 31(A))	485.47	445.45
Balance at the end of the year	**4,777.27**	**6,538.77**

Note 11: Cash and cash equivalents

Balances with banks *		
in Current accounts	26.05	32.27
in EEFC accounts	135.33	158.83
Cash on hand	6.03	8.45
Deposits with banks with original maturity is less than three months	33.16	41.02
Total cash and cash equivalents	**200.57**	**240.57**

*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of the reporting period and prior period.

Note 12: Bank balances other than cash and cash equivalents

Earmarked balances with banks*	25.63	26.56
Deposits with original maturity over 3 months but less than 12 months	120.23	1,643.85
Margin money deposits with banks	1241.98	1073.83
Total bank balances other than cash and cash equivalents	**1387.84**	**2744.24**

* Earmarked balances represent unpaid dividend.

Note 12 (a): Margin money deposits include Rs.1157.54 lakhs (March 31, 2019: Rs. 1035.88 lakhs) pledged / lien against bank guarantees issued by the banks.

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019

Note 13: Equity share capital

Movement of equity share capital during the year

Authorised :

	Number of shares	Amount
As at April 01, 2018	1,50,00,000	1,500.00
Change during the year		-
As at March 31, 2019	**1,50,00,000**	**1,500.00**
Change during the year	-	-
As at March 31, 2020	**1,50,00,000**	**1,500.00**

Issued, Subscribed and paid up :

	Number of shares	Amount
As at April 01, 2018	1,06,37,139	1,063.71
Change during the year	1,15,100	11.50
As at March 31, 2019	**1,07,52,239**	**1,075.22**
Change during the year	-	-
As at March 31, 2020	**1,07,52,239**	**1,075.22**

Preferential allotment

During the previous year the company has made preferential allotment of 1,15,100 equity shares of Rs. 10 each at Rs. 408 per share, including a premium of Rs. 398 per share to promoters (1,00,100 shares) and others (15,000 shares). Thus the equity share capital has increased by Rs. 11.51 lakhs and securities premium by Rs.458.10 lakhs.

(iii) Details of shareholders holding more than 5% shares in the company

	Dr. A.N.Gupta	Dr. (Mrs.) Kailash Gupta	A. N. Gupta (HUF)	HDFC Trustee company Limited
As at March 31, 2020				
Number of shares	26,20,183	11,67,467	6,56,697	8,39,700
% holding	24.37%	10.86%	6.11%	7.81%
As at March 31, 2019				
Number of shares	26,05,086	11,60,767	6,56,697	8,39,700
% holding	24.23%	10.80%	6.11%	7.81%

Terms and rights attached to equity shares

The company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the 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.

Note 14: Borrowings

(i) Non-current

Term loans:

Secured -At Amortised Cost

From Banks	656.25	918.75
Less: Current maturities of long-term debt	(262.50)	(262.50)
Less: Unamortised upfront fee	(1.98)	(4.16)
Total non-current borrowings	**391.77**	**652.09**

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
(ii) Current		
Payable on demand		
Secured -At Amortised Cost		
Working capital loans from banks	3,277.86	1,320.60
Buyers credit from bank	882.67	-
Unsecured -At Amortised Cost		
Loans from banks	207.94	4.70
Loans from related parties (refer note: 39)	750.00	514.78
Total current borrowings	**5,118.47**	**1,840.08**

Note 14 (i): Net debt reconciliation

Opening balance of borrowings	2,758.83	4646.9
Add: Proceeds from non-current borrowings	-	-
Less: Repayments of non-current borrowings	(260.32)	(134.74)
Proceeds / (repayment) from current borrowings	3,278.39	(1,732.18)
Foreign exchange adjustments	-	(18.27)
Fair value adjustments	(2.18)	(2.88)
Closing balance of borrowings	**5,774.72**	**2,758.83**

Note .15 Other financial liabilities

i) Non-current

Dealership deposits	7.20	7.20
Earnest money deposit	7.35	1.60
	14.55	**8.80**

(ii) Current

Current maturities of long-term borrowings	262.50	262.50
Interest accrued	16.88	78.03
Unclaimed dividend (refer note: 15.1)	25.63	26.56
Capital creditors	186.49	226.29
Employee benefits payable	602.44	597.40
Creditors for expenses	232.90	194.02
Total other financial liabilities	**1,326.84**	**1,384.80**

Note 15.1: Unclaimed dividend account represents dividend amount unclaimed and no amount is due for deposit in Investor Education and Protection Fund.

Note 16: Provisions

Employee benefit obligations

(i) Non-current

Gratuity (refer note: 24(a))	151.74	100.58
Leave encashment	246.98	222.16
Total non-current provisions	**398.72**	**322.74**

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
(ii) Current		
Gratuity (refer note: 24(a))	52.65	63.64
Leave encashment	90.03	73.71
Total current provisions	**142.68**	**137.35**

Note17: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

Deferred tax (assets) / liabilities		
On property, plant and equipment and intangible assets	1,766.69	1,851.33
MAT credit entitlement	(193.71)	(29.65)
Deferred tax transition cost	(29.65)	1.45
Provision for expected credit losses	0.56	(155.66)
Carry forwarded Losses	(477.34)	(24.36)
Expenses allowable on the basis of payment	(135.06)	(218.20)
Deferred tax (assets) / liabilities (net)	**931.49**	**1,424.91**

Movement in deferred tax liabilities / (assets)

	Property, plant and equipment	Expenses allowable on the basis of Payment	Provision for expected credit losses	Deferred tax on transaction cost	MAT Credit entitlement	Carry forwarded Losses
As at April 01, 2018	1,784.05	(246.36)	(117.11)	2.46	(29.65)	(19.91)
Charged / (credited)						
- to profit or loss	67.28	(15.55)	(38.55)	(1.01)	-	(4.45)
- to other comprehensive income		43.71				
As at March 31, 2019	**1,851.33**	**(218.20)**	**(155.66)**	**1.45**	**(29.65)**	**(24.36)**
Charged / (credited)						
- to profit or loss	(84.64)	88.74	156.22	(31.10)	(164.06)	(452.98)
- to other comprehensive income		(5.60)				
As at March 31, 2020	**1,766.69**	**(135.06)**	**0.56**	**(29.65)**	**(193.71)**	**(477.34)**

(Note: Carry forwarded loss includes Rs.181.94 lakhs on account of unabsorbed depreciation)

Note 18: Other Liabilities

i) Non-current		
Deferred revenue arising from government grant	4.03	4.95
Total other non-current liabilities	**4.03**	**4.95**
ii) Current		
Statutory taxes payable	90.53	108.55
Advance from customers	412.33	209.87
Advance against sale of plant and equipment	185.00	
Total other current liabilities	**687.86**	**318.42**

Note 19: Current tax liabilities (net)

Current tax (Net of Prepaid taxes of Nil (March 31, 2019: Rs.1624.54 lakhs)	-	41.42
Provision for interest on income tax	35.40	35.40
Total current tax liabilities (net)	**35.40**	**76.82**

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Note 20: Revenue from operations		
Revenue from contracts with customers		
- Sale of products	13,974.77	23,314.07
- Sale of traded goods	276.37	414.09
- Sale of services	2,065.64	1,465.39
	16,316.78	**25,193.55**
Other operating revenue	135.31	109.64
Total revenue from operations	**16,452.09**	**25,303.19**

Disaggregation of revenue from contracts with customers

The company derives revenue from transfer of goods and services from the following geographical locations.

Geographical location		
- India	15,771.86	24,312.14
- Other countries	680.23	991.05
Total	**16,452.09**	**25,303.19**

Information about major customers:

Three customers represent 10% or more of the Company's total revenue during the years ended March 31, 2020 and March 31, 2019.

Note 21: Other income

Interest income from financial assets at amortised cost	126.11	257.93
Gain on sale of Property, Plant & Equipment	15.05	1.25
Deferred government grant income	0.91	0.91
Other non-operating income	4.11	4.70
Total other income	**146.18**	**264.79**

Note 22: Cost of raw materials consumed

Raw materials at the beginning of the year	2,220.15	1,966.91
Add: Purchases	9,079.46	14,036.60
Less: Raw materials at the end of the year	1,725.46	2,220.15
Total cost of raw materials consumed	**9,574.15**	**13,783.36**

Note 23: Changes in inventories of finished goods, work-in-progress and scrap

Opening Balance:		
Finished goods	153.43	259.53
Work-in-progress	332.18	756.59
Scrap	7.66	10.23
	493.27	**1,026.35**
Closing Balance:		
Finished goods	352.72	153.43
Work-in-progress	1,463.25	332.18
Scrap	5.57	7.66
	1,821.54	**493.27**
Total changes in inventories of finished goods, work-in-progress and scrap	**(1,328.27)**	**533.08**

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

	For the year ended March 31, 2020	For the year ended March 31, 2019
Note 24: Employee benefits expense		
Salaries, wages, bonus and other allowances	4,453.97	4,222.90
Contribution to provident fund and other funds	368.10	344.78
Contribution to ESI	20.47	30.82
Staff welfare expenses	183.95	212.57
Total employee benefits expense	**5,026.49**	**4,811.07**

Note 24(a):

(i) Defined contribution plans

Employer's contribution to Provident Fund: Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual or any constructive obligation.

Employer's contribution to State Insurance Scheme: Contributions are made to State Insurance Scheme for employees at the rate of 4.75% of gross salary as per regulations. The contributions are made to Employee State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual or any constructive obligation.

Employer's contribution to Provident Fund	281.86	270.12
Employer's contribution to ESI	20.55	30.92

(ii) Defined benefits plans

Post-employment obligations - Gratuity

The company provides for gratuity for employees in India as per the payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement / termination is the employee's last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the company makes contributions to recognized funds in India. The company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected gratuity payments.

Gratuity (funded)

A) Reconciliation of opening and closing balances of defined benefit obligation

	As at March 31, 2020	As at March 31, 2019
Defined benefit obligation at beginning of the year	1,135.74	950.43
Current service cost	77.09	71.19
Interest cost	83.11	72.69
Actuarial (gain) / loss	(25.52)	124.96
Benefits paid	(84.75)	(83.53)
Defined benefit obligation at year end	1,185.67	1,135.74

B) Reconciliation of opening and closing balances of fair value of plan assets

	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets at beginning of year	971.52	786.17
Expected return on plan assets	71.88	64.38
Actuarial (gain) / loss	(5.70)	(0.18)
Employer's contribution	26.80	202.68
Benefits paid	(78.24)	(81.53)
Adjustments to opening balances	(4.99)	-
Fair value of plan assets at year end	981.28	971.52

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

C) Reconciliation of fair value of assets and obligations

	As at March 31, 2020	As at March 31, 2019
Fair value of plan assets	981.28	971.52
Present value of obligation	1,185.67	1,135.74
Amount recognised in balance sheet, surplus / (deficit)	**(204.39)**	**(164.22)**

D) Expenses recognised during the year

	For the year ended March 31, 2020	For the year ended March 31, 2019
In income statement		
Current service cost	77.09	71.19
Interest cost	83.11	72.69
Return on plan assets	(71.88)	(64.38)
Net cost	**88.32**	**79.50**
In other comprehensive income		
Actuarial (gain) / loss	(19.82)	125.14
Net (income) / expense for the year recognised in OCI	**108.13**	**(45.64)**

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	As at March 31, 2020	As at March 31, 2019
Discount rate	6.73%	7.60%
Salary growth rate	4%	4%
Withdrawal rate	2%	2%
Retirement age	55/58 years	55/58 years
Average balance future services	16.96	16.89
Mortality table(Life Insurance Corporation)	2012-14	2012-14

Sensitivity analysis

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

	As at March 31, 2020
Defined benefit obligation	1,185.67
Discount rate:(% change compared to base due to sensitivity)	
Increase : +1%	1,096.81
Decrease: -1%	1,286.01
Salary growth rate: (% change compared to base due to sensitivity)	
Increase: +1%	1,294.47
Decrease: -1%	1,088.05
Withdrawal rate: (% change compared to base due to sensitivity)	
Increase: +1%	1,201.73
Decrease: -1%	1,167.89

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Defined benefit liability and employer contributions

The company has purchased insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the company. Any deficit in the assets arising as a result of such valuation is funded by the company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 11.14 years. The expected cash flows over the years is as follows:

	As at March 31, 2020
Defined benefit obligation - gratuity	
Less than a year	52.65
Between 2-5 years	360.75
Over 6 years	830.93
Total	**1,244.32**

Risk management

Defined benefit plans are prone to a number of risks, the most significant of which are detailed below:

Interest rate risk: This may arise from volatility in asset values due to market fluctuations and impairment of assets due to credit losses. These Plans primarily invest in debt instruments such as Government securities and highly rated corporate bonds – the valuation of which is inversely proportional to the interest rate movements

Salary cost inflation risk: The present value of the Defined Benefit Plan liability is calculated with reference to the future salaries of participants under the Plan. Increase in salary due to adverse inflationary pressures might lead to higher liabilities.

Note 25: Finance costs

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest and finance charges on financial liabilities carried at amortised cost	392.29	399.14
Interest on income tax	-	4.05
Other borrowing costs	182.37	154.54
Total Finance costs	**574.66**	**557.73**

Note 26: Depreciation and amortisation expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment	473.79	418.55
Depreciation of right-of-use assets	0.81	-
Amortisation of intangible assets	52.72	30.43
Total depreciation and amortisation expense	**527.32**	**448.98**

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 27: Research and development expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials consumed	7.91	11.16
Salaries, wages, bonus and other allowances	78.12	74.60
Contribution to provident and other funds	5.12	4.84
Contribution to ESI	0.08	0.10
Total Research and development expenses	**91.23**	**90.70**

Note 28: Other expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spare parts	83.31	155.10
Consumption of packing materials	260.84	387.87
Power and fuel	315.39	444.60
Repairs and maintenance		
- Plant and machinery	507.76	482.74
- Buildings	14.42	27.46
- Others	135.14	107.63
Insurance	107.98	97.01
Rent	122.38	45.78
Rates and taxes, excluding taxes on income	65.62	30.73
Legal and professional charges	80.84	69.48
Directors sitting fees	8.60	10.00
Printing and stationery	24.68	30.54
Communication expenses	17.35	18.95
Travelling and conveyance	231.27	255.82
Vehicle maintenance	27.12	17.98
Sales commission	77.31	178.03
Sales promotion expenses	3.29	3.22
Advertisement	9.83	10.43
Carriage outward	114.70	121.93
Other selling expenses	69.68	47.93
Technical knowhow expenses	17.90	17.99
Net gain on foreign currency transactions and translations	137.78	75.92
Bank charges	22.88	7.34
Payments to auditors (refer note 28 (a)below)	23.70	20.95
Bad debts written off*	637.50	242.05
Book deficit on assets discarded	-	0.34
Expected credit loss	40.00	110.34
Unbilled revenue receivable written off	-	88.12
Donations	3.58	4.45
Corporate social responsibility expenditure (refer note 28 (b)below)	39.49	39.90
General expenses	166.38	210.10
Total other expenses	**3,366.72**	**3,360.73**

* Mainly on account of Late delivery charges of Rs. 333.82 lakhs (2018-19: Rs. 214.81 lakhs), Powder Factor deduction of Rs. 258.73 lakhs (2018-19: Nil) and other deductions of Rs. 44.95 lakhs (2018-19: Rs.27.14 lakhs)

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 28 (a): Details of payments to auditors

	For the year ended March 31, 2020	For the year ended March 31, 2019
Payment to auditors		
As auditors		
As statutory auditor	7.50	7.50
For quarterly reviews	6.75	6.75
In other capacities		
For Certification	2.40	2.90
For Attestation services	3.00	-
Re-imbursement of expenses	1.38	1.33
Subsidiary Auditors		
As statutory auditor	2.67	2.47
Total payments to auditors	**23.70**	**20.95**

Note 28 (b): Corporate social responsibility expenditure

	For the year ended March 31, 2020	For the year ended March 31, 2019
Amount required to be spent as per section 135 of the Act	39.15	36.23
Amount spent during the year on		
(i) Promoting education	5.74	8.15
(ii) Promoting healthcare	29.75	26.75
(iii) Women empowerment	3.50	4.00
(iv) Others	0.50	1.00
Total corporate social responsibility expenditure	**39.49**	**39.90**

Note 29: Income tax expense

This note provides an analysis of the company's income tax expense, shows amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the company's tax positions.

	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Income tax expense		
Current tax		
Current tax on profits for the year	1.16	438.71
Adjustments for current tax of prior periods	-	(35.87)
Total current tax expense	**1.16**	**402.84**
Deferred tax		
Decrease / (increase) in deferred tax assets	(384.44)	(14.85)
(Decrease) / increase in deferred tax liabilities	(115.74)	66.28
Total deferred tax expense / (benefit)	**(500.18)**	**51.43**
Income tax expense	**(499.02)**	**454.27**

(All amounts in INR lakhs, unless otherwise stated)

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit from operations before income tax expenses	**(1,501.53)**	**1,580.92**
Income tax expense		
Tax at the rate of 26% (2018-19: 29.12%)	(390.40)	460.36
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	21.48	14.16
Weighted deduction on research and development	(65.46)	(17.09)
Tax effect of expenses not allowed for tax purpose	-	9.47
Tax effect of expenses relating to voluntary retirement scheme	(18.60)	(21.52)
Due to change in tax rate	(51.94)	-
Tax effect of items in other comprehensive income considered for income tax	(5.60)	43.68
Adjustments for current tax of prior periods	-	(35.83)
Tax effect on others	11.50	1.04
Income tax expense	**(499.02)**	**454.27**

Financial Instruments and Risk Management

Note 30: Financial instruments and risk management - Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price including within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

The following table represents the fair value hierarchy of assets and liabilities

	Fair value hierarchy	Notes	As at March 31, 2020		As at March 31, 2019	
			Carrying Value	*Fair Value	Carrying Value	*Fair Value
A. Financial assets						
a) Measured at amortised cost						
Cash and cash equivalents	Level -3	11	200.57	200.57	240.57	240.57
Other bank balances	Level -3	12	1,387.84	1,387.84	2,744.24	2,744.24
Unbilled receivable	Level -3	7	153.58	153.58	124.38	124.38
Trade receivables	Level -3	10	4,777.27	4,777.27	6,538.75	6,538.75
Total financial assets			**6,519.26**	**6,519.26**	**9,647.94**	**9,647.94**
B. Financial liabilities						
a) Measured at amortised cost						
Trade payables	Level -3		1,890.73	1,890.73	2,585.08	2,585.08
Borrowings	Level -3	14	5,510.24	5,510.24	2,492.17	2,492.17
Other financial liabilities	Level -3	15	1,341.39	1,341.39	1,393.60	1,393.60
Total financial liabilities			**8,742.36**	**8,742.36**	**6,470.85**	**6,470.85**

Note:

The carrying amounts of trade payables, other financial liabilities, borrowings, cash and cash equivalents, other bank balances, unbilled receivable and trade receivables are considered to be the same as their fair values due to their short term nature and recoverability from the parties.

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 31: Financial instruments and risk management - Financial risk management

The Company's activities expose it to Credit risk, Market risk and Liquidity risk. The Company emphasis on risk management and has an enterprise wide approach to risk management. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and device appropriate controls, evaluating and reviewing the control mechanism.

(A) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks. Credit risk of the Company is managed at the Company level.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The group follows a 'simplified approach' (i.e. based on lifetime ECL) for recognition of impairment loss allowance on Trade receivables. For the purpose of measuring lifetime ECL allowance for trade receivables, the group estimates irrecoverable amounts based on the ageing of the receivable balances and historical experience. Further, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively and for major receivable assessed for impairment individually. Individual trade receivables are written off when management deems them not to be collectible.

The ageing analysis of the receivables (gross of provisions) has been considered from the date of invoice

Particulars	As at March 31, 2020	As at March 31, 2019
Not Due	1,008.26	2,881.50
0-30 days	54.38	879.32
31-60 days	801.41	264.38
60-90 days	1,107.24	294.79
90-180 days	268.09	933.69
More than 181 days	2,023.36	1,730.54
Gross total	**5,262.74**	**6,984.22**
Less: Expected credit loss	485.47	445.47
Net trade receivables	**4,777.27**	**6,538.75**

Expected credit loss for trade receivables under simplified approach

Particulars	As at March 31, 2020	As at March 31, 2019
Expected credit losses (ECL)		
Opening balance	445.47	335.13
Add: ECL Movement during the year	40.00	110.34
Closing balance	485.47	445.47

(B) Market risk:

Market Risk is the risk that the future value of a financial instrument will fluctuate due to moves in the market factors. The most common types of market risks are interest rate risk and foreign currency risk.

- **Interest rate risk**

  Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its market interest rates by fixed rate interest, rate that is linked to marginal cost of lending rate, etc. Hence, the Company is not significantly exposed to interest rate risks.

- **Foreign currency risk**

  Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company is not significantly exposed to this risk because of natural hedging in the form of imports and exports being at similar levels.

i) Foreign currency risk - sensitivity

The analysis is based on the assumption that the foreign currency increases / (decreases) by 2.5% with all other variables held constant. The Company manages its market interest rates by fixed rate interest, rate that is linked to marginal cost of lending rate, etc. Hence, the Company is not significantly exposed to interest rate risks.

Unhedged foreign currency exposure as at the reporting date:

				As at March 31, 2020
	AED (in number)	USD (in number)	EURO (in number)	Equivalent amount in INR lakhs
Foreign currency assets				
Trade receivable (for supplies and services)	-	6,212	-	4.68
Balance with banks	-	1,79,518	-	135.33
Deposits recoverable	-	1,325	-	0.89
Total	-	1,87,055	-	140.90
Foreign currency liabilities				
Payables for supplies and services	-	6,24,879	2,68,303	693.89
Buyers Credit	-	11,70,870	-	882.67
Total	-	17,95,749	2,68,303	1,576.57
Net foreign currency assets / (liabilities)	-	(16,08,694)	(2,68,303)	(1,435.66)
Non-monetary items				
(having no exposure to future foreign currency movement):				
Advance for purchase of spares and equipment	-	7,249	1,38,625	118.02
Advance from customers	-	5,12,313	8,000	376.15

				As at March 31, 2019
	AED (in number)	USD (in number)	EURO (in number)	Equivalent amount in INR lakhs
Foreign currency assets				
Trade receivable (for supplies and services)	-	18,680	-	12.92
Balance with banks	-	2,29,625	-	158.84
Deposits Recoverable	-	1,325	-	0.89
Total	-	2,49,630	-	172.65
Foreign currency liabilities				
Payables for supplies and services	-	17,56,189	-	1,214.78
Total	-	17,56,189	-	1,214.78
Net foreign currency assets / (liabilities)	-	(15,06,559)	-	(1,042.13)
Non-monetary items				
(having no exposure to future foreign currency movement):				
Advance for purchase of spares and equipment	-	1,69,069	50,000	160.91
Advance for supplies	6,663	-	-	1.22
Advance from customers	-	75,179	-	53.19

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

2.5% increase or decrease in foreign exchange rates will have the following impact on profit/(loss) before tax

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
AED	-	0.03
USD	(30.32)	(24.44)
EURO	(5.57)	-

(C) Liquidity risk:

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company's objective is to maintain a balance between continuity of funds through the use of bank overdrafts, loan from directors and other means of borrowings. The company invests its surplus funds in deposits with maturity of 3 months, which carry no/low mark to market risk.

The table below provides details regarding the remaining contractual maturities of financial liabilities at the reporting date

	< 1 Year	1-3 Years	> 3 Years	Total
As at March 31, 2020				
non-current borrowings	262.50	391.77	-	654.27
Current borrowings	5118.47	-	-	5,118.47
Trade and other payable	1890.73	-	-	1,890.73
Other financial liabilities	1064.34	14.55	-	1,078.89
Total financial liabilities	**8336.04**	**406.32**	**-**	**8,742.36**
As at March 31, 2019				
non-current borrowings	262.50	525.00	127.09	914.59
Current borrowings	1,840.08	-	-	1,840.08
Trade and other payable	2,585.08	-	-	2,585.08
Other financial liabilities	1,122.30	8.80	-	1,131.10
Total financial liabilities	**5,809.96**	**533.80**	**127.09**	**6,470.85**

D) Other risk – Impact of COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the new corona virus ("COVID-19") as a pandemic. This outbreak is causing significant disturbance and slowdown of economic activity. The group's operations were impacted in the month of March, 2020, following nationwide lockdown announced by the Government of India.

The management has assessed the impact of COVID-19 pandemic on the financial statements, business operations, liquidity position, cash flow and has concluded that based on the current estimates no material adjustments are required in the carrying amounts of assets and liabilities as at 31st March, 2020.

The impact of the pandemic may be different from that estimated as at the date of approval of these financial statements and the group will continue to closely monitor any material changes to future economic conditions.

Note 32: Capital management

(a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

The company's strategy is to maintain a gearing ratio within 30%. The gearing ratio were as follows:

	As at March 31, 2020	As at March 31, 2019
Net debt*	4,209.96	(203.58)
Equity	19,772.71	21,110.99
Total capital (net debt + equity)	**23,982.67**	**20,907.41**
Gearing ratio (Net debt / Total capital)	**17.55%**	**-0.97%**

*** Net debt is as follows**

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

		As at March 31, 2020	As at March 31, 2019
A)	Borrowings		
	Non-current borrowings	391.77	652.09
	Current borrowings	5,118.47	1,840.08
	Current maturity of long term debt	262.50	262.50
	Total (A)	**5,772.74**	**2,754.67**
B)	Cash and cash equivalents	200.57	240.57
	Bank balances other than cash and cash equivalents	1,362.21	2,717.68
	Total (B)	**1,562.78**	**2,958.25**
C)	**Net debt (A-B)**	**4,209.96**	**(203.58)**

(b) Loan covenants

Under the terms of major borrowing facilities, the company is required to comply with the following financial covenants:

* Total net worth should be greater than Rs. 60 crores including deferred tax liabilities.
* Total outside liabilities should be less than 1.25 times of the total net worth of the company
* Debt service coverage ratio should be greater than 1.50 throughout the tenor of the loan

The company has complied with these covenants throughout the reporting period.

Note 33: Contingent Liabilities

	As at March 31, 2020	As at March 31, 2019
On account of Letters of credit and Guarantees issued by the bankers	4,736.21	5,156.28
Claims against the company not acknowledged as debts in respect of Sales tax	575.83	575.83

It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Note 34: Commitments

	As at March 31, 2020	As at March 31, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,258.32	1777.11

Note 35: Payables to Micro, Small & Medium Enterprises

Information pertaining to Micro and Small Enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) as given below has been determined to the extent such parties have been identified on the basis of information available with the Company:

	As at March 31, 2020	As at March 31, 2019
Principal amount remaining unpaid as at year-end	1.70	32.78
Interest due thereon as at year-end	-	-
Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	-	-
Interest accrued and remaining unpaid as at year-end	-	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	-	-
Note: The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.		

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 36: Segment information

(a) Description of segments and principal activities

The Chairman & Managing Director has been identified as the Chief Operating Decision Maker (CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The Company is engaged in the business of "High Energy Materials "and operates in a single operating segment.

The revenue from transactions with three customer exceed 10% of the total revenue of the company for each of the two years ended March, 31 2020 and March, 31 2019.

Geographical Information

The Group mainly domiciled its activities in India. The amount of its revenue from external customers broken down by location of the customers is shown in the table below:

Revenue from external customers	**As at March 31, 2020**	**As at March 31, 2019**
India	15,771.86	24,312.14
Rest of the world	680.23	991.05
Non-current assets		
India	18,792.95	16,286.11
Rest of the world	-	-

Note 37: Interest in Joint Venture

BF Premier Energy Systems Private Limited:

The company has 50% interest in BF Premier Energy Systems Private Limited, a joint venture incorporated in India and involved in manufacturing defence products such as Bi-modular cartridges systems, ammunition of selected types, ready to use defence products such as rockets, missiles, mines, bombs, torpedoes and ammunition, etc.

Summarised balance sheet

	As at March 31, 2020	**As at March 31, 2019**
Interest in assets, liabilities with respect to jointly controlled entities are as follows:		
Current assets	1.49	1.52
Non-current assets	-	-
Current liabilities	(1.65)	(1.25)
Non-current liabilities	-	-
Equity	**(0.16)**	**0.27**
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment*	-	0.13

Summarised statement of profit and loss

	As at March 31, 2020	**As at March 31, 2019**
Income		
Other income	-	-
Expenses		
Employee benefit expenses	-	-
Depreciation	-	0.08
Other expenses	0.43	0.44

(All amounts in INR lakhs, unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
Total expenses	**0.43**	**0.52**
Loss before tax	0.43	0.52
Tax expenses	-	-
Loss for the year	0.43	0.52
Other comprehensive income for the year	-	-
Total comprehensive income for the year	0.43	0.52
Group's share of loss for the year*	-	-

The Group had no contingent liabilities or capital commitments relating to its interest in BF Premier Energy Systems Ltd. as at March 31, 2020 and March 31, 2019

* Since the accumulated losses of the joint venture exceed the value of investment, the investment is shown as zero and no further losses have been allocated.

Note 38: The subsidiaries (which along with PEL, the parent, constitute the Group) considered in preparation of these Consolidated Financial Statements are

	Relationship	Principal activity	Ownership
Indian entities			
March 31, 2020			
Premier Wire Products Limited	Subsidiary	Manufacture of galvanised iron wire	80.00%
PELNEXT Defence Systems Private Limited	Wholly owned subsidiary	Manufacture of defence products	100.00%
BF Premier Energy Systems Private Limited	Joint venture	Manufacture of defence products	50.00%

Note 39: Related party transactions

(a) Enterprises where control exists

Wholly owned Subsidiaries	PELNEXT Defence Systems Private Limited
Subsidiaries	Premier Wire Products Limited
Joint ventures	BF Premier Energy Systems Private Limited
(b) Key management personnel (KMP)	Dr. A.N.Gupta, Chairman & Managing Director
	Mr.T.V.Chowdary, Deputy Managing Director
	Mr. Y. Durga Prasad Rao , Whole time Director (w.e.f. 10.08.2019)
	Dr. (Mrs.) Kailash Gupta, Non Executive Director
	Mr.Anil Kumar Mehta, Independent Director
	Mr.P.R. Tripathi, Independent Director
	Mr.K.Rama Rao , Independent Director
	Dr. A. Venkat Raman , Independent Director
	Lt. Gen P.R Kumar , Independent Director
(c) Relatives of key management personnel	Dr.(Mrs.) Kailash Gupta
	Mrs. T.Malati
(d) Concerns in which key management personnel have substantial interest (significant interest entities):	A.N.Gupta(HUF)
(e) Concerns in which relatives of key management personnel have substantial interest (significant interest entities):	Godavari Explosives Limited

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

(f) Transactions with related parties

	Amount of transaction	Amount Receivable / (Payable)	Amount of transaction	Amount Receivable / (Payable)
	For the year ended March 31, 2020	As at March 31, 2020	For the year ended March 31, 2019	As at March 31, 2019
Key management personnel				
Short term employee benefits				
Managerial remuneration	406.88	(7.33)	359.74	(43.07)
Others				
Acceptance of unsecured loan	190.50		316.90	-
Repayment of unsecured loan	92.00		295.87	(514.78)
Interest paid	74.56	(750.00)	77.36	(69.62)
Dividend paid	102.92	-	92.59	-
Sitting fees	8.60	-	10.00	(0.18)

	Amount of transaction	Amount Receivable / (Payable)	Amount of transaction	Amount Receivable / (Payable)
	For the year ended March 31, 2020	As at March 31, 2020	For the year ended March 31, 2019	As at March 31, 2019
Relatives of key management personnel				
Dividend paid	0.55	-	0.51	-
Concerns in which key management personnel have substantial interest (significant interest entities)				
Dividend paid	17.73	-	16.42	-
Concerns in which relatives of key management personnel have substantial interest (significant interest entities)				
Job work charges received	-	-	6.90	-

Information regarding significant transactions

Nature of transaction / related party	As at March 31, 2020	As at March 31, 2019
Acceptance of unsecured loans		
Dr. A.N.Gupta	152.00	253.30
Dr. Kailash Gupta	-	63.60
Interest paid		
Dr. A.N.Gupta	59.50	53.60
Dr. Kailash Gupta	15.06	23.76
Job work charges received	-	
Godavari Explosives Limited		6.90
Managerial remuneration paid*		
Dr. A.N.Gupta#	285.13	278.79
Mr. T.V. Chowdary	97.03	80.95

(All amounts in INR lakhs, unless otherwise stated)

Nature of transaction / related party	As at March 31, 2020	As at March 31, 2019
Repayment of unsecured loans		
Dr. A.N.Gupta	52.00	156.06
Dr. Kailash Gupta	40.00	139.81
Sitting fees		
Dr. Kailash Gupta	1.90	2.10
Mr. Anil Kumar Mehta	2.40	2.80
Mr. P.R. Tripathi	1.50	1.70
Mr. K. Rama Rao	1.40	1.60
Dividend paid		
Dr. A.N.Gupta	70.42	63.63
Dr. Kailash Gupta	31.52	27.57
A.N Gupta (HUF)	17.73	16.42

*As gratuity and leave encashment are computed for all the employees in aggregate, the amounts relating to the key managerial personnel cannot be individually identified.

(g) Terms and conditions

(i) Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

(ii) The loans accepted from key managerial personnel carries interest rate of 11% per annum.

(iii) All outstanding balances are unsecured and repayable in cash.

Note 40: Donation to political parties

	For the year ended March 31, 2020	For the year ended March 31, 2019
Communist Party of India (Marxist Leninist)	0.40	1.75
	0.40	**1.75**

Note 41: Earnings / (Loss) per share (EPS)

		For the year ended March 31, 2020	For the year ended March 31, 2019
(a)	**Basic and Diluted EPS**		
	Earnings per share attributable to the equity holders of the company	(9.32)	10.57
(b)	**Reconciliation of earnings used in calculating earnings per share**		
	Basic and Diluted earnings per share		
	Profit / (Loss) attributable to the equity holders of the company used in calculating earnings per share	(1,002.51)	1,126.65
(c)	**Weighted average number of shares used as the denominator**		
	Weighted average number of equity shares used as the denominator in calculating basic earnings per share	1,07,52,239	1,06,57,636
	Adjustments for calculation of diluted earnings per share	-	-
	Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	1,07,52,239	1,06,57,636

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 42 : Assets pledged as security

The carrying amounts of Company's assets pledged as security for current and non-current borrowings are:

	As at March 31, 2020	As at March 31, 2019
Working capital loans from banks (secured)		
Primary security		
Current assets		
Financial assets	6,165.11	9,254.23
Non financial assets	5,403.04	3,932.98
Collateral security		
non-current assets		
Non financial assets	17,758.61	15,206.54
Towards current borrowings	**29,326.76**	**28,393.75**
non-current borrowings from banks (secured)		
Primary security		
non-current assets		
Non financial assets (Assets purchased out of said loans)	1,302.61	1,306.43
Collateral security		
Current assets		
Financial assets	6,519.26	9,619.18
Non financial assets	5,403.04	3,932.98
Towards non-current borrowings	**13,224.91**	**14,858.59**

Note 43: Utilisation of fund raised through Qualified Institutional Placement & Preferential Issue

During the year ended March 31, 2020 the group has raised Rs. Nil (2019: Rs.341.21 lakhs) primarily for business expansion, working capital purposes and any other purposes as may be permissible under applicable law.

Utilisation of funds	As at March 31, 2020	As at March 31, 2019
Business expansion & Working capital utilisation	**1,659.95**	1,492.48

Note 44: Events occurring after the reporting period

Proposed dividend

Final dividend recommended by the directors of parent company which is subject to the approval of shareholders in the ensuing annual general meeting

	As at March 31, 2020	As at March 31, 2019
On (March 31, 2019: 1,07,52,239) equity shares of Rs.10/- each		
Amount of dividend proposed*	-	290.31
Dividend per equity share (Rs.)	**-**	**2.70**
* Excluding dividend distribution tax which is payable on payment of dividend		

Notes to Consolidated financial statements

(All amounts in INR lakhs, unless otherwise stated)

Note 45: Additional information required by Schedule III

	Premier Explosive limited	Premier Wire Products Private Limited	PELNEXT Defence Systems Private Limited	BF Premier Energy Systems Private Limited	Non controlling interest	Inter-company transactions / balances
Net assets (total assets minus total liabilities)						
Amount	19646.78	526.96	(1.46)	-	131.52	(531.09)
As % of consolidated net assets	99%	3%	0%	0%	1%	-3%
Share in profit or (loss)						
Amount	(958.24)	(34.38)	(0.64)	(0.13)	(9.42)	0.30
As % of consolidated net assets	96%	3%	0%	0%	1%	0%
Share in other comprehensive income						
Amount	17.53	(2.66)	-	-	(0.66)	-
As % of consolidated net assets	123%	-19%	0%	0%	-5%	0%
Share in total comprehensive income						
Amount	(940.71)	(37.03)	(0.64)	(0.13)	(10.09)	0.30
As % of consolidated net assets	97%	4%	0%	0%	1%	0%

As per our report of even date

For MAJETI & CO.
Chartered Accountants
Firm's registration number: 015975S

Kiran Kumar Majeti
Partner
Membership number: 220354
UDIN: 20220354AAAAAU9127

Secunderabad
June 29, 2020

For and on behalf of the Board

C. Subba Rao
Chief Financial Officer

Dr. A.N. Gupta
Chairman and Managing Director
DIN: 00053985

T.V. Chowdary
Deputy Managing Director
DIN: 00054220

Notice of the 40th Annual General Meeting

Notice is hereby given that the 40th Annual General Meeting of the Members of Premier Explosives Limited ('the Company') will be held on Thursday, the 19th day of November, 2020 at 11.30 a.m. through Video Conferencing ("VC") / other Audio Visual Means ("OAVM), to transact the following business:

The proceedings of the Annual General Meeting (AGM) shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed venue of the AGM.

Ordinary business

1. To receive, consider and adopt:
   a. the Audited Standalone Financial Statements of the Company for the year ended March 31, 2020 together with the Reports of the Board of Directors and Auditors thereon.
   b. The Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2020 together with the Reports of Auditors thereon.
2. To appoint a director in place of Mr. T.V. Chowdary (DIN: 00054220), who retires by rotation as a Director and being eligible offers himself for re-appointment.

Special Business

3. **Ratification of remuneration payable to the Cost Auditors**

   To consider and if thought fit, to pass with or without modification, the following Resolution as an **Ordinary Resolution**.

   "**RESOLVED THAT** pursuant to the provisions of Section 148 and such other applicable provisions, if any, of the Companies Act, 2013 read with the rules made there under, as amended from time to time, M/s. S. S. Zanwar & Associates, Cost Accountants, who have been appointed as the Cost Auditors of the Company by the Board of Directors to conduct the audit of the cost records of the Company for the financial year ending March 31st, 2021, at a remuneration of Rs.1,30,000 (Rupees one lakh thirty thousand only) be and is hereby ratified.

   RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By order of the Board

For **Premier Explosives Limited**

Secunderabad
September 11, 2020

K. Jhansi Laxmi
Company Secretary

Registered Office:
'PREMIER HOUSE', 11 Ishaq Colony,
Near AOC Centre, Secunderabad
Telangana – 500015
CIN:L24110TG1980PLC022633
Email: investors@pelgel.com
Website:www.pelgel.com

Notes:

1. An explanatory statement pursuant to Section 102 of the Companies Act, 2013 ("the Act") relating to the Special Business to be transacted at the Annual General Meeting is annexed hereto.
2. The relevant details as required by Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations, 2015) and Secretarial Standard on General Meetings (SS-2) issued by The Institute of Company Secretaries of India, of directors seeking re-appointment under Item No.2 is annexed hereto.
3. In view of the outbreak of COVID-19 pandemic and in light of the social distancing norms, the Ministry of Corporate Affairs ("MCA") has vide its general circular N0.20/2020 dated May 5, 2020 read with General Circular No. 14/2020 dated April 8, 2020 and General Circular No. 17/2020 dated April 13, 2020 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/HO/CFD/CMDI/CIR/P/2020/79 dated May 12, 2020 has permitted the Companies to conduct the Annual General Meeting (AGM) through Video Conferencing (VC) / Other Audio Visual Means (OAVM), during the calendar year 2020, without the physical presence of the Members at a common venue.

   In compliance with the provisions of the Companies Act, 2013 ('the Act'), and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with the Circulars issued by MCA and SEBI, the 40th Annual General Meeting of the Company is being conducted through VC/OAVM on Thursday, November 19, 2020 at 11:30 a.m.

   KFin Technologies Private Limited, Registrar and Share Transfer Agents of the company will be providing facility for voting electronically ('e-voting') before the AGM ('remote e-voting'), for participation in the AGM through VC/OAVM facility and e-voting during the AGM.

   The procedure for participating in the meeting through VC/ OAVM is mentioned in this Notice
4. In compliance with the applicable provisions of the Act read with MCA and SEBI Circulars and the Listing Regulations, the AGM of the Company is being held through VC/OAVM. In accordance with the Secretarial Standard on General Meetings ('SS-2') issued by the Institute of Company Secretaries of India ('ICSI') read with clarification/guidance on applicability of Secretarial Standards 1 & 2 dated 15th April, 2020, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company which shall be the deemed venue of the AGM. Since, the AGM will be held through VC/OAVM, the Route Map is not annexed to this Notice.
5. Since the AGM will be conducted through VC / OAVM the requirement of physical attendance of members has been dispensed with, accordingly, the facility for appointment of Proxy by the Members will not be available for this AGM and hence, the Proxy Form and Attendance Slip are not annexed to this notice.

6. In case of joint holders attending the AGM, the shareholder whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote during the AGM.

7. Corporate / Institutional Members are entitled to appoint authorised representatives to attend the AGM through VC/ OAVM on their behalf and cast their votes through remote e-voting or e-voting at the AGM conducted through VC. Institutional / Corporate Members (i.e., other than individuals / HUF, NRI etc) are requested to send a scanned coy (PDF / JPEG format) of the Board Resolution authorising its representatives to attend and vote at the AGM, pursuant to Section 113 of the Act, by email to the Scrutinizer at kvcr133@gmail.com with a copy marked to evoting@kfintechcom and to the company at investors@pelgel.com.

8. Unclaimed Dividend: Members who wish to claim dividends of the past years, which remain unclaimed, are requested to correspond with M/s. Kfin Technologies Private Limited / the Secretarial Department of the Company for encashing the unclaimed dividends standing to the credit of their account. Pursuant to the provisions of Sections 124 and 125 and other applicable provisions, if any, of the Act, all unclaimed / unpaid dividends for a period of seven years from the date they become due for payment are required to be transferred to the Investor Education and Protection Fund ('IEPF'). The Shares in respect of such unclaimed dividends are also liable to be transferred to the demat account of the IEPF Authority. In view of this, shareholders are requested to claim the dividend from the company within the stipulated timeline.

9. Members who still hold share certificate(s) in physical form are advised to dematerialize their shareholding to avail the benefits of dematerialization, which includes easy liquidity since trading is permitted in dematerialized form only, electronic transfer, savings in stamp duty and elimination of any possibility of loss of documents. Further, with effect from April 1, 2019, requests for transfer of securities are not permitted unless the securities are held in dematerialized form with a depository except in case of transmission or transposition of securities as per SEBI Listing Regulations. Members who still hold share certificate(s) in physical form are advised to dematerialize their shareholding at the earliest.

10. The attendance of the Members joining the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Act.

11. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 13th November, 2020 to Thursday, 19th November, 2020 (both days inclusive).

12. ELECTRONIC DISPATCH OF ANNUAL REPORT AND PROCESS FOR REGISTRATION OF EMAIL ID FOR OBTAINING ANNUAL REPORT.

In accordance with, MCA General Circular No. 20/2020 dated May 5, 2020 and SEBI circular No.SEBI/HO/CFD/CMD1/ CIR/P/2020/79 dated May 12, 2020, owing to the difficulties involved in dispatching of physical copies, the Notice of the AGM along with the Annual Report for the financial year 2019-20 is being sent through electronic mode to those Members whose email addresses are registered with the Company / Kfintech / Depositories.

Members may note that the Notice of AGM along with Annual Report will also be available on the website of the Company at www.pelgel.com, on the website of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of KFin Technologies Private Limited at www.kfintech.com. For any communication, the members may also send a request to the Company's investor email ID: investors@pelgel.com. The company will not be despatching physical copies of the Annual Report for the financial year 2019-20 and the notice of the AGM to any member.

13. MEMBERS ARE REQUESTED TO:

a. intimate to the respective Depository Participant, changes, if any, in their registered addresses/bank mandates at an early date;

b. quote their folio numbers/ Client ID and DP ID in all correspondence;

c. consolidate their holdings into one folio in case they hold shares under multiple folios in the identical order of names; and

d. register their Permanent Account Number (PAN) with their Depository Participants.

14. UPDATION OF MEMBERS' DETAILS:

The format of the Register of Members prescribed by the Ministry of Corporate Affairs under the Companies Act, 2013 requires the company/registrar and transfer agents to record additional details of Members, including their PAN details, e-mail address etc. A "form" for compiling additional details is available on the Kfintech's Website at the web-link: https://ris.kfintech.com/email_registration/

Members are requested to submit the details to their respective Depository Participants.

15. UPDATION OF PERMANENT ACCOUNT NUMBER (PAN) / BANK ACCOUNT DETAILS OF MEMBERS:

SEBI vide its Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20th April, 2018 has mandated registration of PAN and Bank Account details for all security holders. Members are requested to submit the aforesaid information to their respective Depository Participant(s).

16. Members seeking any information with regard to the Accounts or any matter to be placed at the AGM are requested to write to the Company on or before 14th November, 2019 through email on investors@pelgel.com. The same will be replied by the company suitably.

17. PROCEDURE FOR INSPECTION OF DOCUMENTS

All the documents referred in the Notice are available for inspection electronically by the members from the date

Notice of the 40th Annual General Meeting

of circulation of the Notice upto the date of AGM ie., 19th November, 2020. Members seeking to inspect such documents are requested to write to the Company's investor email id : investors@pelgel.com.

18. Members are requested to support the Green initiative by registering / updating their e-mail addresses, with the Depository Participant.

19. PROCEDURE FOR REGISTERING THE EMAIL ADDRESSES TO RECEIVE THIS NOTICE ELCETRONICALLY AND CAST VOTES ELECTRONICALLY:

i. Those Members who have not yet registered their email addresses are requested to get their email addresses registered by contacting their respective Depository Participant.

ii. To facilitate Members to receive this Notice electronically and cast their vote electronically, the Company has made special arrangements with Kfintech for temporary registration of email addresses of the Members in terms of the MCA Circulars.

Process to be followed for Temporary Registration of E-mail Address:

A. the process for registration of email address with kFintech for receiving the Notice of AGM and login ID and password for e-voting is as under:

i. Visit the link: https://ris.kfintech.com/email_registration/

ii. Select the name of the Company viz. Premier Explosives Limited and follow the steps for registration of email address.

iii. After successful submission of the email address, KFintech will email a copy of this AGM Notice and Annual Report for F.Y. 2019-2020 along with the e-voting user ID and password. In case of any queries, Members are requested to write to kFintech at evoting@kfintech.com.

iv. Those Members who have already registered their email addresses are requested to keep their email addresses validated/updated with their DPs/KFintech to enable servicing of notices/documents/Annual Reports and other communications electronically to their email address in future.

20. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM:

i. Members will be provided with a facility to attend the AGM through Video Conferencing platform provided by KFintech. Members are requested to login at https://evoting.kfintech.com by clicking on the tab "AGM- 'video conference & Streaming" and access the shareholders'/members' login by using their remote e-voting credentials.

ii. Please note that Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the instructions provided in Note No. 22.

iii. Members are encouraged to join the Meeting through Laptops, smartphones, tablets / IPads with latest version of Google Chrome for better experience. Further, Members will be required to allow Camera, if any, and use Internet with a good speed to avoid any disturbance during the meeting. Members will need the latest version of Chrome, Safari, Internet Explorer 11, MS Edge or Firefox. While all efforts would be made to make the VC/OAVM meeting smooth, Participants connecting from Mobile Devices or Tablets or through Laptop etc may at times experience Audio/Video loss due to fluctuation in their respective networks. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid technical glitches.

iv. Members are permitted to join the AGM through VC/OAVM, 15 minutes before the scheduled time of commencement of the AGM and during the AGM, by following the procedure mentioned in this Notice. The facility of participation at the AGM through VC/OVAM will be made available to atleast 1,000 members on a first come first served basis.

v. In case of any query and/or help, in respect of attending the AGM through VC/OAV, Members may refer the Help & frequently asked questions ('FAQs') and 'AGM VC/OAVM' user annual available at the download section of https://evoting/kfintech.com or contact at investors@pelgel.com or Mr. Raghunath Veeda, Deputy Manager,-Corporate Registry, Kfin Technologies Private Limited at Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad Telangana – 500 032 or at the email id: evoting@kfintech.com or on phone No.:040-6716 2222 or call toll free no.:1800 345 4001 for any further clarifications.

vi. Members shall have the option to vote electronically ("e-voting") either before the AGM ("remote e-voting") or e-voting during the AGM.

21. PROCEDURE FOR REMOTE VOTING:

i. In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and any amendments thereto and Regulation 44 of the SEBI Listing Regulations, members are provided with the facility to cast their vote electronically, through the e-voting services provided by KFin Technologies Private Limited in respect of all resolutions set forth in this Notice. The facility of casting votes by shareholders using an electronic voting system from a place other than the venue of the AGM is termed as 'Remote Electronic Voting' (Remote e-voting). It is hereby clarified that it is not mandatory for a Member to vote using the remote e-voting facility.

Further, members holding shares as on November 12, 2020 (end of the day), being the cut-off date fixed for determining the voting rights of members, entitled to participate in the remote e-voting process, through the e-voting platform provided by KFintech or to vote at the AGM. Person who is not a member as on the cut-off date should treat this Notice for information purposes only.

ii. The remote e-voting period commences on Monday, November 16, 2020 (9.00 a.m.IST) and ends on Wednesday, November 18, 2020 at 5:00 p.m. (IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of November 12, 2020, may cast their vote electronically.

iii. The remote e-voting module shall be disabled by KFintech for voting thereafter. Once the vote on a resolution is cast by the member, the member will not be allowed to change it subsequently or cast the vote again.

22. A member may avail of the facility at his/her/its discretion, as per the instructions provided herein:

A. Voting through electronic means:

The procedure and instructions for remote e-voting are as follows:

I. Member will receive an e-mail from KFintech [for members whose e-mail Ids are registered with the Company/Depository Participant(s)] which includes the details of E-voting Event Number ("EVEN"), USER ID and password:

a. Launch internet browser by typing the URL: 'https://evoting.kfintech.com'.

b. Enter the login credentials (i.e., user-id & password). Your folio No./ DP Client ID will be your User-ID. However, if you are already registered with Kfintech for e-voting, you can use your existing User ID and password for casting your vote.

c. After entering these details appropriately, click on "LOGIN".

d. Members holding shares in Demat / Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$ etc). The system will prompt you to change your password and update any contact details like mobile number, email ID, etc. on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. If you are holding shares in Demat form and had logged on to "https://evoting.kfintech.com" and casted your vote earlier for any company, then your existing login id and password are to be used.

e. You need to login again with the new credentials.

f. On successful login, system will prompt to select the 'Event' i.e., **'Premier Explosives Limited'.**

g. On the voting page, you will see Resolution Description and against the same the option 'FOR / AGAINST / ABSTAIN' for voting. Enter the number of shares (which represents number of votes) as on the cut-off date i.e., Thursday, November 12, 2020 under 'FOR / AGAINST / ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR / AGAINST' taken together should not exceed your total shareholding as on the cut-off date. If the shareholder do not wants to cast, select 'ABSTAIN' and the shares held will not be counted under either head

Pursuant to Clause 16.5.3(e) of the Secretarial Standard on General Meetings ('SS-2') issued by the Council of the Institute of Company Secretaries of India and approved by the Central Government, in a case a Member abstains from voting on a Resultion i.e., the member neither assents or dissents to the Resolution, then his/her/its vote will be treated as invalid vote with respect to that resolution.

h. Members holding multiple demat accounts shall choose the voting process separately for each of the demat accounts.

i. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.

j. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" to modify and accordingly modify your vote.

k. Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote subsequently. During the voting

Notice of the 40th Annual General Meeting

period, you can login multiple times till you have confirmed that you have voted on the resolution.

II. Corporate / Institutional Members (corporate / FIs / FIIs / Trust / Mutual Funds / Banks, etc.) are required to send scanned image (PDF/JPEG format) of the certified true copy of relevant Board resolution/authority letter etc together with attested specimen signature of the duly authorised signatory(ies) who is /are authorised to vote, to the Scrutiniser through e-mail to kvcr133@gmail.com with a copy to evoting@kfintech.com and to the company at investors@pelgel.com. They may also upload the same in the e-voting module in their login. The scanned image file of the above-mentioned documents should be in the naming format "Corporate Name EVENT NO".

It should reach the Scrutinizer and the company by email not later than Wednesday, November 18, 2020 (5.00 p.m. IST). In case if the authorized representative attends the Meeting, the above-mentioned documents shall be submitted before the commencement of AGM.

III. In case e-mail ID of a member is not registered with the company / Depository Participant(s), then such Member is requested to register / update their e-mail addresses with the Depository Participant:

i. Upon registration, Member will receive an e-mail from Kfintech which includes details of E-voting Event Number (EVEN), USER ID and password.

ii. Please follow all steps from Note No. 22 (I)(a) to (k) above to cast your vote by electronic means.

IV. Members can cast their vote online from **November 16, 2020 @ 9.00 a.m. to November 18, 2020 @ 5.00 p.m.** voting beyond the said date shall not be allowed and the remote e-voting facility shall be blocked.

V. In case of any queries / grievances, you may refer the frequently asked questions (FAQs) for members and e-voting user manual available at the 'download' section of https://evoting.kfintech.com or call KFintech on 1800 345 4001 (toll free).

B. e-Voting at AGM:

i. Members who have cast their vote by remote e-voting prior to the AGM will also be eligible to participate at the AGM but shall not be entitled to cast their vote again at the meeting.

ii. The procedure for e-voting during the AGM is same as the instructions mentioned for remote e-voting since the Meeting is being held through VC/OAVM.

iii. Only those members/shareholders, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the resolution(s) through remote e-voting & are otherwise not barred from doing so, are eligible to vote through e-voting system in the AGM.

iv. The e-voting window shall be activated upon instructions of the Chairman of the Meeting during the AGM.

v. E-voting during the AGM is integrated with the VC platform and no separate login is required for the same. The members shall be guided on the process during the AGM.

23. GENERAL INSTRUCTIONS/INFORMATION FOR MEMBERS FOR VOTING ON THE RESOLUTIONS:

i. A member can opt for only a single mode of voting i.e., through remote e-voting or e-voting at the AGM.

ii. The voting rights of members shall be in proportion to the paid-up value of their shares in the equity share capital of the company as on the cut-off date i.e., Thursday, 12th November, 2020. Members are eligible to cast their vote either through remote e-voting or in the AGM only, if they are holding shares as on that date. A person who is not a member as on the cut-off date is requested to treat this notice for information purposes only.

iii. In case a person has become a member of the company after dispatch of AGM Notice but on or before the cut-off date for e-voting ie., Thursday, 12th November, 2020, he/she/it may obtain the User ID and password in the manner as mentioned below:

a. If the mobile number of the member is registered against Folio No./DP ID Client ID, the member may send SMS:

MYEPWD<space>e-voting Event Number + Folio No. Or DP ID Client ID to +91-9212993399

Example for NSDL:

MYEPWD<SPACE>in12345612345678

Example for CDSL:

MYEPWD<SPACE>1402345612345678

b. If e-mail address or mobile number of the member is registered against folio no/DP ID client ID, then on the home page of https://evoting.kfintech.com, the member may click "forgot password" and enter folio no or DP ID client ID and PAN to generate a password.

c. Member may call Kfintech's Toll free number 1800-345-4001.

d. Member may send an e-mail request to evoting@kfintech.com. However, Kfintech shall endeavour to send User ID and password to those new members whose e-mail Ids are available.

iv. In case of any query pertaining to e-voting, please visit Help & FAQs section and E-voting User Manual available at the download section of KFintech's website: https://evoting.kfintech.com or contact at investors@pelgel.com or at evoting@kfintech.com or call on KFintech's Toll Free No. 1800-345-4001, for any further clarifications.

24. SCRUTINIZER FOR E-VOTING AND DECLARATION OF RESULTS:

i. The Company has appointed Mr. K.V. Chalama Reddy, Practicing Company Secretary (Membership No.: FCS -9268) as the scrutinizer to scrutinize the entire voting process (i.e. remote e-voting and e-voting during the AGM) in a fair and transparent manner.

ii. The scrutinizer shall, immediately after the conclusion of e-voting at the AGM, first count the votes cast at the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, and submit the same to the Chairman of the Company or the person authorized by him, who shall countersign the same. The results shall be declared not later than forty-eight hours from the conclusion of the meeting.

iii. Based on the scrutinizer's report, the Company will submit within 48 hours of the conclusion of the AGM to the Stock Exchanges, details of the voting results as required under Regulation 44(3) of the SEBI Listing Regulations.

iv. The voting results declared alongwith the consolidated Scrutinizer's Report shall be placed on the Company's website www.pelgel.com and on the website of KFintech at https://evoting.kfintech.com immediately after the declaration of the result by the Chairman or a person authorized by the chairman and shall also be communicated to the Stock Exchanges i.e., BSE Limited and National Stock Exchange of India Limited. The resolutions shall be deemed to be passed on the date of the AGM of the Company i.e., Thursday, November 19, 2020, subject to receipt of the requisite number of votes in favour of the resolutions.

25. SUBMISSION OF QUESTIONS / QURIES PRIOR TO AGM

a. Members desiring any additional information or having any question or query pertaining to the business to be transacted at the AGM are requested to write from their registered e-mail address, mentioning their name, DP ID and Client ID number / Folio No. And mobile number to the Company's investor email ID i.e.,investors@pelgel.com from Monday, 16th November, 2020 (9.00 a.m IST) upto Wednesday, 18th November, 2020 (5.00 p.m IST), so as to enable the Management to keep the information ready. The queries may be raised precisely and in brief to enable the company to answer the same suitably depending on the availability of time at the AGM

b. Alternatively, members holding shares as on the cut-off date may also visit https://evoting.kfintech.com and click on the tab "Post your queries here" to post the queries / views /questions in the window provided, by mentioning their name, demat account number / folio number, email ID and mobile number. The window shall be activated during the remote e-voting period from Monday, 16th November, 2020 (9.00 a.m IST) upto Wednesday, 18th November, 2020 (5.00 p.m IST).

c. Members can also post their questions during AGM through the "Ask a question" tab, which is available in the VC/OAVM facility.

The company will, at the AGM, endeavour to address the queries received till 5.00 p.m. (IST) on Wednesday, 18th November, 2020, from those members who have sent queries from their registered email Ids. Please note that members' questions will be answered only if they continue to hold shares as on the cut-off date.

26. SPEAKER REGISTRATION BEFORE AGM:

Members of the company, holding shares as on the cut-off date i.e., Thursday, 12th November, 2020 and who would like to speak or express their views or ask questions during the AGM may register as speakers by visiting the URL: https://evoting.kfintech.com and clicking on the tab "Speaker Registration" during the period from Monday, 16th November, 2020 (9.00 a.m IST) upto Wednesday, 18th November, 2020 (5.00 p.m IST). Those members who have registered themselves as a speaker will only be allowed to speak/express their views / ask questions during the AGM. The company reserves the right to restrict the number of speakers depending on the availability of time at the AGM. Please note that only questions of the members holding the shares as on cut-off date will be considered.

By order of the Board
For **Premier Explosives Limited**

Secunderabad
September 11, 2020

K. Jhansi Laxmi
Company Secretary

Notice of the 40th Annual General Meeting

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item:3

The Board of Directors on the recommendation of the Audit Committee, have appointed M/s. S. S. Zanwar & Associates as the Cost Auditors to conduct the audit of the Cost records of the Company for the Financial Year 2020-21 at a remuneration of Rs.1,30,000 (Rupees one lakh thirty thousand only).

In accordance with the provisions of Section 148 of the Act read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors is required to be ratified by the members of the Company. The Board has decided the remuneration payable to M/. S.S. Zanwar & Associates as Cost Auditors as mentioned in the resolution on the recommendation of the Audit Committee. Hence this resolution is put for the consideration of the shareholders.

None of the Directors or Key Managerial Personnel of the Company and their relatives is, in any way, concerned or interested, financially or otherwise, in the resolution set out in the Item No.3 of the Notice.

The Board recommends this Ordinary Resolution for your approval.

By order of the Board
For **Premier Explosives Limited**

Secunderabad
September 11, 2020

K. Jhansi Laxmi
Company Secretary

Annexure to the Notice dated September 11, 2020

Details of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting on November 19, 2020

[Pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India]

Details of directors seeking appointment / re-appointment at the Annual General Meeting

Particulars	Mr. T.V. Chowdary
Date of birth	16.08.1957
Date of appointment	31.08.2005
Qualifications	B.Sc.Tech (Petroleum)
Expertise in specific function areas	A chemical engineer with over 35 years of experience in production of explosives and solid propellants
Directorships held in other companies	Premier Wire Products Limited Octane Chemicals Private Limited BF Premier Energy Systems Private Limited Pelnext Defence Systems Private Limited Godavari Explosives Limited (ceased to be director w.e.f. October 3, 2019)
Memberships / Chairmanships of Committees of other companies (include only Audit Committee / Investor Grievances Committee)	None
No. of shares held in the company as on 31st March, 2020	34,207
Relationship with other directors	None

Premier Explosives Limited

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