



Independent Auditor's Report

To
The Members of PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2024, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 31st March, 2024, and its loss (including other comprehensive income), the changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern:

We draw attention to Note 17 to the financial statements which indicates that the company has incurred a loss before tax of Rs.0.90 lakhs during the year ended 31st March 2024 and the company has negative other equity of Rs.5.92 lakhs as at 31st March, 2024. Further, owing to the negative other equity as at 31st March, 2024 the Company's net worth is eroded completely and the current liabilities exceed its current assets by Rs.4.92 lakhs as at 31st March, 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.





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

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

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

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

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

Responsibility of Management for 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 financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows 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 of the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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





Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
 - (e) On the basis of written representations received from the directors as on 31st March, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2024 from being appointed as a director in terms of Section 164(2) of the Act.
 - (f) Reporting on the adequacy of Internal Financial Control Over Financial Reporting of the Company and the operating effectiveness of such controls, under section 143(3)(i) of the Act is not applicable, in terms of the Notification No. G.S.R. 583(E) dated 13th June, 2017, read with General Circular No. 08/2017 dated 25th July, 2017 issued by the Ministry of Corporate Affairs, Government of India.





- (g) 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, is applicable only to public companies. Accordingly, the provisions of section 197(16) of the Act are not applicable to the Company.
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations as at 31st March, 2024 which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts as at 31st March, 2024;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2024;
 - iv. (a) The Management has represented that, to the best of its knowledge and belief, as disclosed in the Note 16(i) to the financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - (b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in the Note 16(ii) to the financial statements, no funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;





P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants

- (c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(c), as provided under (a) and (b) above, contain any material misstatement.
- v. The Company has not declared or paid dividend during the year, hence there is no need to comment on compliance of provisions of section 123 of the Companies Act, 2013 by the Company.
- vi. Based on our examination which included test checks, the company has used an accounting software for maintaining its books of account for the financial year ended 31st March, 2024 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from 1st April, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended 31st March, 2024.

For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao
N. ANKA RAO
Partner

Membership Number: 23939
UDIN: 24023939BKGSSJ5181



HYDERABAD
18.05.2024



Annexure A to Independent Auditor's Report
Referred to in Paragraph 1 under the heading of 'Report on Other Legal and Regulatory Requirements' of our report of even date

- 1 The company does not own any property, plant and equipment and intangible assets. Hence, reporting under the Clauses 3(i)(a)(A), 3(i)(a)(B), 3(i)(b), 3(i)(c), 3(i)(d) and 3(i)(e) of the Order are not applicable to the Company.
- 2 (a) The Company does not have any inventory during the year. Hence, reporting under the Clauses 3(ii)(a) of the Order is not applicable to the Company.
(b) The Company has not been sanctioned working capital limits in excess of Rs.5 crore, in aggregate, at any points of time during the year, from banks or financial institutions on the basis of security of current assets and hence reporting under clause 3(ii)(b) of the Order is not applicable to the Company.
- 3 The Company has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, limited liability partnerships or other parties during the year. Hence, reporting under the Clauses 3(iii)(a), 3(iii)(b), 3(iii)(c), 3(iii)(d), 3(iii)(e) and 3(iii)(f) of the Order are not applicable to the Company.
- 4 The Company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Hence, reporting under the Clause 3(iv) of the Order is not applicable to the Company.
- 5 The Company has not accepted deposits or amounts which are deemed deposits. Hence, reporting under the Clause 3 (v) of the Order is not applicable to the Company.
- 6 The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Hence, reporting under clause 3(vi) of the order is not applicable to the Company.
- 7 (a) According to the records of the Company and as per the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including income tax and any other statutory dues applicable to it with appropriate authorities and in respect of these statutory dues, there are no outstanding dues as on 31st March, 2024 which are outstanding for a period of more than six months from the date, they became payable. As confirmed by the Company, the provisions of provident fund, employee's state insurance, goods and services tax, sales tax, service tax, duty of customs, duty of excise, value added tax and cess are not applicable to the Company for this year.





- (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of goods and services tax, provident fund, employees state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues which have not been deposited on account of any dispute as on 31st March, 2024.
- 8 There were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).
- 9 (a) Borrowing amounting to Rs. 4.12 lakhs (including interest payable) are repayable on demand and terms and conditions for payment of interest thereon have not been stipulated. According to the information and explanations given to us, such borrowing and interest thereon have not been demanded for repayment during the year. Consequently, the question of our commenting under this clause does not arise.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) According to the records of the Company examined by us and the information and explanations given to us, the Company has not obtained any term loans. Hence, reporting under clause 3(ix)(c) of the Order is not applicable to the Company.
- (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) According to the information and explanations given to us and procedures performed by us, we report that the Company does not have any subsidiaries, joint ventures or associate companies during the year and hence reporting on clause 3(ix)(e) of the Order is not applicable to the Company.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company does not have any subsidiaries, joint ventures or associate companies during the year and hence reporting on clause 3(ix)(f) of the Order is not applicable to the Company.
- 10 (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause 3(x)(b) of the Order is not applicable to the Company.





- 11 (a) 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 fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and upto the date of this report.
- (c) 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, and as represented to us by the management, no whistle-blower complaints have been received during the year by the Company. Hence reporting under clause 3(xi)(c) of the Order is not applicable to the Company.
- 12 The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable to the Company.
- 13 The Company has not entered into transactions covered under Section 188 of the Act with related parties during the year. Further, the Company is not required to constitute an Audit Committee under Section 177 of the Act, and accordingly, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.
- 14 In our opinion and based on our examination, the company does not have an internal audit system and is not required to have an internal audit system as per provisions of the Companies Act 2013. Hence reporting under clauses 3(xiv)(a) and 3(xiv)(b) of the Order is not applicable to the Company.
- 15 According to the information and explanations given to us, in our opinion during the year the company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the company.
- 16 (a) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, reporting under clause 3(xvi)(a), (b) and (c) of the Order is not applicable to the Company.
- (b) In our opinion, there is no core investment company within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause 3(xvi)(d) of the Order is not applicable to the Company.
- 17 The Company has incurred cash loss during the financial year ended on that date and the immediately preceding financial year. The amount of cash loss for financial year is Rs.0.90 Lakhs and cash loss for immediately preceding financial year was Rs.0.90 Lakhs.
- 18 There has been no resignation of the statutory auditors during the year and accordingly reporting under clause 3(xviii) of the Order is not applicable to the Company.





P.V.R.K. Nageswara Rao & Co.,
Chartered Accountants

- 19 On the basis of the financial ratios (Refer Note 15 to the financial statements), ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans, in our opinion and according to the information and explanations given to us, a material uncertainty exists as on the date of the audit report that the Company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date (Refer "Material uncertainty related to going concern paragraph of our audit report on the financial statements).
- 20 The provisions of section 135 of the Companies Act, 2013 are not applicable to the Company and hence reporting under clause 3(xx) of the Order is not applicable.

For P V R K NAGESWARA RAO & Co.,
Chartered Accountants
Firm's Registration Number: 002283S

HYDERABAD
18.05.2024

N. Anka Rao
N. ANKA RAO
Partner
Membership Number: 23939
UDIN: 24023939BKGSSJ5181



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Balance sheet as at 31 March, 2024

(All amounts in Indian Rupees lakhs, unless otherwise stated)

| Particulars | Note No. | As at 31 March, 2024 | As at 31 March, 2023 |
|-------------------------------------|----------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| (i) Cash and cash equivalents | 3 | 0.11 | 0.34 |
| Total Current assets | | 0.11 | 0.34 |
| TOTAL ASSETS | | | |
| | | 0.11 | 0.34 |
| EQUITY AND LIABILITIES | | | |
| Equity: | | | |
| Equity share capital | 4(a) | 1.00 | 1.00 |
| Other equity: | | | |
| Reserves and surplus | 4(b) | (5.92) | (5.02) |
| Total Equity | | (4.92) | (4.02) |
| LIABILITIES | | | |
| Current liabilities | | | |
| Financial liabilities | | | |
| (i) Borrowings | 5 | 4.12 | 3.87 |
| (ii) Other financial liabilities | 6 | 0.90 | 0.48 |
| Other current liabilities | 7 | 0.01 | 0.01 |
| Total current liabilities | | 5.03 | 4.36 |
| TOTAL LIABILITIES | | | |
| | | 5.03 | 4.36 |
| TOTAL EQUITY AND LIABILITIES | | | |
| | | 0.11 | 0.34 |

The accompanying notes are an integral part of the financial statements

As per our report of even date

For P.V.R.K. NAGESWARA RAO & CO.,

Chartered Accountants

Firm's Registration Number: 002283S


N. Anka Rao

Partner

Membership Number: 23939

Hyderabad

18.05.2024




Dr. A.N. Gupta

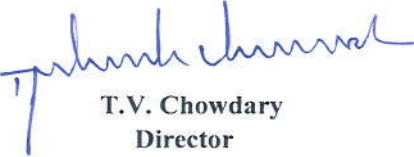
Director

(DIN: 00053985)

Secunderabad

18.05.2024

For and on behalf of the Board



T.V. Chowdary

Director

(DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of profit and loss for the year ended 31 March, 2024
(All amounts in Indian Rupees lakhs, unless otherwise stated)

| Particulars | Note No. | For the year ended 31 March, 2024 | For the year ended 31 March, 2023 |
|--|----------|-----------------------------------|-----------------------------------|
| Revenue | | | |
| Revenue from operations | | - | - |
| Total Income | | - | - |
| Expenses | | | |
| Finance costs | 8 | 0.28 | 0.26 |
| Other expenses | 9 | 0.62 | 0.64 |
| Total Expenses | | 0.90 | 0.90 |
| Profit/(Loss) before tax | | (0.90) | (0.90) |
| Tax expense | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Profit/(Loss) after tax for the year | | (0.90) | (0.90) |
| Other Comprehensive Income | | - | - |
| Other Comprehensive Income after tax for the year | | - | - |
| Total Comprehensive Income/(Loss) for the year | | (0.90) | (0.90) |
| Earnings/(Loss) per share (Par value of Rs.10 each) | | | |
| -Basic and Diluted | 14 | (9.00) | (9.00) |

The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao
N. Anka Rao
Partner
Membership Number: 23939
Hyderabad
18.05.2024



Dr. A.N. Gupta
Dr. A.N. Gupta
Director
(DIN: 00053985)
Secunderabad
18.05.2024

For and on behalf of the Board

T.V. Chowdary
T.V. Chowdary
Director
(DIN: 00054220)


PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of cash flow for the year ended 31 March, 2024
(All amounts in Indian Rupees lakhs, unless otherwise stated)

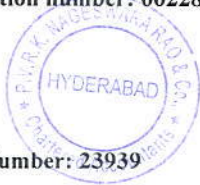
| Particulars | For the year ended 31 March, 2024 | For the year ended 31 March, 2023 |
|---|--------------------------------------|--------------------------------------|
| Cash flow from operating activities | | |
| Profit/(Loss) before tax | (0.90) | (0.90) |
| Adjustments for: | | |
| Interest expense | 0.28 | 0.26 |
| | (0.62) | (0.64) |
| Adjustments for working capital changes: | | |
| Other financial liabilities | 0.42 | 0.06 |
| Other current liabilities | - | (0.01) |
| Cash generated from/(used in) operations | (0.20) | (0.59) |
| Income tax paid | - | - |
| Net cash flows from/(used in) operating activities | (0.20) | (0.59) |
| Cash flows from financing activities | | |
| Interest paid | (0.03) | (0.02) |
| Net cash flow from/(used in) financing activities | (0.03) | (0.02) |
| Net increase/(decrease) in cash and cash equivalents | (0.23) | (0.61) |
| Cash and cash equivalents at the beginning of the year | 0.34 | 0.95 |
| Cash and cash equivalents at end of the year | 0.11 | 0.34 |

1. The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
2. Previous year figures have been regrouped /reclassified to conform to current year classification.
3. Figures in brackets represents outflows.

The accompanying notes are an integral part of the financial statements

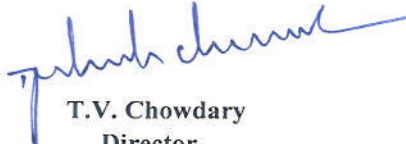
As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's registration number: 002283S


N. Anka Rao
Partner
Membership Number: 23939
Hyderabad
18.05.2024



For and on behalf of the Board


Dr. A.N. Gupta
Director
(DIN: 00053985)
Secunderabad
18.05.2024


T.V. Chowdary
Director
(DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Statement of changes in equity for the year ended 31 March, 2024
(All amounts in Indian Rupees lakhs, unless otherwise stated)

a. Equity share capital

| Paid up Equity Share capital | Number of Shares | Amount |
|-------------------------------------|-------------------------|---------------|
| As at April 01, 2022 | 10,000 | 1.00 |
| Changes in equity share capital | - | - |
| As at March 31, 2023 | 10,000 | 1.00 |
| Changes in equity share capital | - | - |
| As at March 31, 2024 | 10,000 | 1.00 |

b. Other Equity

| Particulars | Reserves and Surplus | |
|--|-----------------------------|---------------|
| | Retained earnings | |
| Balance as at 01 April, 2022 | | (4.12) |
| Profit/(Loss) for the year | | (0.90) |
| Other comprehensive income for the year, net of income tax | | - |
| Total comprehensive income/(loss) for the year | | (0.90) |
| Transactions with owners in their capacity as owners: | | - |
| Balance as at 31 March, 2023 | | (5.02) |
| Balance as at 01 April, 2023 | | (5.02) |
| Profit/(Loss) for the year | | (0.90) |
| Other comprehensive income for the year, net of income tax | | - |
| Total comprehensive income/(loss) for the year | | (0.90) |
| Transactions with owners in their capacity as owners: | | - |
| Balance as at 31 March, 2024 | | (5.92) |

The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

For and on behalf of the Board

N. Anka Rao
N. Anka Rao
Partner
Membership Number: 23939
Hyderabad
18.05.2024



Dr. A.N. Gupta
Dr. A.N. Gupta
Director
(DIN: 00053985)
Secunderabad
18.05.2024

T.V. Chowdary
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Director
(DIN: 00054220)

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 3: Cash and cash equivalents

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|--|---------------------------------|---------------------------------|
| Balances with banks | | |
| -in current account | 0.11 | 0.32 |
| Cash on hand | * | 0.02 |
| Total cash and cash equivalents | 0.11 | 0.34 |

*denotes figure below rounding off norms



A handwritten signature in blue ink, consisting of a stylized 'S' followed by a horizontal line.

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes to the Financial statements
(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note: Equity share capital and other equity
Note 4(a): Equity share capital

| Authorised equity share capital | Number of shares | Amount |
|---------------------------------|------------------|--------|
| As at 31st March 2022 | 50,000 | 5.00 |
| Movement during the year | - | - |
| As at 31st March 2023 | 50,000 | 5.00 |
| Movement during the year | - | - |
| As at 31st March 2024 | 50,000 | 5.00 |

(i) Movements in equity share capital

| Paid up Equity Share capital | Number of shares | Amount |
|------------------------------|------------------|--------|
| As at 31st March 2022 | 10,000 | 1.00 |
| Movement during the year | - | - |
| As at 31st March 2023 | 10,000 | 1.00 |
| Movement during the year | - | - |
| As at 31st March 2024 | 10,000 | 1.00 |

Shares held by Holding Company:

10,000 (2022-23: 10,000) Equity shares of Rs.10/- each fully paid up held by Premier Explosives Limited

Terms and rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10/- per share. The Company declares and pays dividends in Indian rupees. 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. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(ii) Details of shareholders holding more than 5% shares in the company

| Particulars | As at 31 March, 2024 | | As at 31 March, 2023 | |
|----------------------------|----------------------|-----------|----------------------|-----------|
| | Number of shares | % holding | Number of shares | % holding |
| Premier Explosives Limited | 10,000 | 100% | 10,000 | 100% |

(iv) Disclosure of share holding of promoters

Disclosure of shareholding of promoters as at March 31, 2024 is as follows:

| Promoter Name | As at March 31, 2024 | | As at March 31, 2023 | | % change during the year |
|----------------------------|----------------------|-------------------|----------------------|-------------------|--------------------------|
| | No.of shares | % of total shares | No.of shares | % of total shares | |
| Premier Explosives Limited | 10,000 | 100% | 10,000 | 100% | - |

Disclosure of shareholding of promoters as at March 31, 2023 is as follows:

| Promoter Name | As at March 31, 2023 | | As at March 31, 2022 | | % change during the year |
|----------------------------|----------------------|-------------------|----------------------|-------------------|--------------------------|
| | No.of shares | % of total shares | No.of shares | % of total shares | |
| Premier Explosives Limited | 10,000 | 100% | 10,000 | 100% | - |



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes to the Financial statements
(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 4(b): Reserves and surplus

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|-----------------------------------|-------------------------|-------------------------|
| (i) Retained earnings | (5.92) | (5.02) |
| Total reserves and surplus | (5.92) | (5.02) |

(i) Retained earnings

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|---|-------------------------|-------------------------|
| Opening balance | (5.02) | (4.12) |
| Net profit/(loss) for the Year | (0.90) | (0.90) |
| Items of other comprehensive income recognised directly in retained earning | - | - |
| Closing balance | (5.92) | (5.02) |

Note 5: Borrowings

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|---|-------------------------|-------------------------|
| current | | |
| Loan repayable on demand (Unsecured) | | |
| Interest bearing loan from Holding Company# | 4.12 | 3.87 |
| Total borrowings | 4.12 | 3.87 |

#The above loan carries a Interest rate of 7% per annum (Previous year: 7% per annum).

Note 6: Other Financial liabilities

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|--|-------------------------|-------------------------|
| Current | | |
| Creditors for expenses | 0.90 | 0.48 |
| Total other financial liabilities | 0.90 | 0.48 |

Note 7: Other Current liabilities

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|--|-------------------------|-------------------------|
| Statutory liabilities payable | 0.01 | 0.01 |
| Total other current liabilities | 0.01 | 0.01 |



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED

Notes to the Financial statements

(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 8: Finance costs

| Particulars | For the year ended 31 March, 2024 | For the year ended 31 March, 2023 |
|---|--|--|
| Interest on financial liabilities carried at amortised cost | 0.28 | 0.26 |
| Total finance costs | 0.28 | 0.26 |

Note 9: Other expenses

| Particulars | For the year ended 31 March, 2024 | For the year ended 31 March, 2023 |
|--|--|--|
| Rates and taxes, excluding taxes on income | 0.02 | 0.03 |
| Payments to Auditor: | | |
| As Statutory Auditor | 0.35 | 0.35 |
| For Taxation Matters | 0.12 | 0.12 |
| Professional charges | 0.13 | 0.14 |
| Printing and stationary | * | - |
| Bank charges | * | * |
| Total other expenses | 0.62 | 0.64 |

*denotes figure below rounding off norms



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 10: Fair value measurement**Financial instruments by category**

| Particulars | As at 31 March, 2024 | | | As at 31 March, 2023 | | |
|------------------------------------|----------------------|--------|----------------|----------------------|--------|----------------|
| | FVTPL | FVTOCI | Amortised cost | FVTPL | FVTOCI | Amortised cost |
| A. Financial assets | | | | | | |
| i) Cash and cash equivalents | - | - | 0.11 | - | - | 0.34 |
| Total financial assets | - | - | 0.11 | - | - | 0.34 |
| B. Financial liabilities | | | | | | |
| i) Borrowings | | | 4.12 | - | - | 3.87 |
| ii) Other financial liabilities | - | - | 0.90 | - | - | 0.48 |
| Total financial liabilities | - | - | 5.02 | - | - | 4.35 |



PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 11: Payables to Micro, Small and Medium Enterprises

There are no dues to micro and small enterprises as at 31 March, 2024 and 31 March, 2023.

Note 12: Segment Information**(a) Description of segments and principal activities**

The Director (Dr.A.N.Gupta) has been identified as being 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 manufacture defence products and operates in a single operating segment. The Company is yet to commence operations.

Note 13: Related Party Transactions

(a) Holding Company : Premier Explosives Limited

(b) Key Management personnel(KMP) : Dr. A.N.Gupta
: Mr. T.V.Chowdary

(c) Transactions with Related Parties:

| Particulars | 2023-24 | | 2022-23 | |
|---------------------------|---------|--|---------|--|
| | Amount | Outstanding balance as at 31 March, 2024 | Amount | Outstanding balance as at 31 March, 2023 |
| Holding Company: | | 4.12 Credit | | 3.87 Credit |
| Loan taken | - | | - | |
| Interest on loan taken | 0.28 | | 0.26 | |
| Reimbursement of expenses | 0.08 | | 0.12 | |

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED**Notes to the Financial statements**

(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 14: Earnings/(Loss) per share

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|---|-------------------------|-------------------------|
| (a) Basic EPS | | |
| Basic earnings/(loss) per share attributable to the equity holders of the company | (9.00) | (9.00) |
| (b) Diluted EPS | | |
| Diluted earnings/(loss) per share attributable to the equity holders of the company | (9.00) | (9.00) |

(c) Reconciliation of earnings/(loss) used in calculating earnings per share

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|---|-------------------------|-------------------------|
| Basic earnings/(loss) per share | | |
| Profit/(Loss) attributable to the equity holders of the company used in calculating basic earnings/(loss) per share | (0.90) | (0.90) |
| Diluted earnings/(loss) per share | | |
| Profit/(Loss) attributable to the equity holders of the company used in calculating diluted earnings/(loss) per share | (0.90) | (0.90) |

(d) Weighted average number of shares used as the denominator

| Particulars | As at 31 March, 2024 | As at 31 March, 2023 |
|--|-------------------------|-------------------------|
| Weighted average number of equity shares used as the denominator in calculating basic earnings per share | 10,000 | 10,000 |
| Adjustments for calculation of diluted earnings per share: | Nil | Nil |
| Weighted average number of equity shares used as the denominator in calculating diluted earnings per share | 10,000 | 10,000 |



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes to the Financial statements
(All amounts in Indian Rupees lakhs, unless otherwise stated)

Note 15: Ratios

| Particulars | Numerator | Demominator | As at March 31, 2024 | As at March 31, 2023 | % Variance |
|---|---|--|-------------------------|-------------------------|------------|
| a) Current ratio | Total Current Assets | Total Current Liabilities | 0.02 | 0.08 | -71.96% |
| b) Debt-Equity ratio | Total Borrowings | Total Equity | -0.84 | -0.96 | -13.01% |
| c) Debt Service Coverage ratio | Earnings available for debt service = Net profit/(loss) after tax + Non cash operating expenses + Interest | Debt Service=Interest + Principal repayments | -2.21 | -2.46 | -10.04% |
| d) Return on Equity ratio in % | Net Profit/(Loss) after tax | Average shareholders Equity = Total Equity | 18.29% | 22.39% | -4.10% |
| e) Return on capital employed (ROCE) in % | Earnings/(Loss) before interest and tax | Capital Employed = Tangible Net worth + Total Borrowings | -77.50% | -426.67% | 349.17% |

Note: Ratios which are applicable to the company are only disclosed

Reasons for Variance:

Current ratio = Change is on account of decrease in cash and cash equivalents and increase in creditors for expenses during the year as compared to previous year.

Return on capital employed (ROCE) = Change is on account of decrease in Tangible Network during the year.

Note 16(i): No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Note 16(ii): No funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Note 17: Material Uncertainty related to Going Concern

During the year the company incurred loss before tax of Rs.0.90 lakhs and the company had negative other equity of Rs.5.92 lakhs as at 31st March, 2024. Further, owing to negative other equity as at 31st March, 2024 the Company's networth is errored completely and the current liabilities exceeded its current assets by Rs.4.92 lakhs as at 31st March, 2024. However, the accounts of the company for the year ended 31st March, 2024 have been prepared on the Going Concern basis.

Note 18: Additional regulatory information required by Schedule III:

a.The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.

b.The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

c.The Company does not have any transactions with companies struck off.

d.The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.


e.The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017.

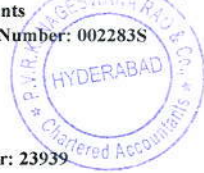
f.The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

g.The Company has not traded or invested in crypto currency or virtual currency during the current or previous year.

h.There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of accounts.

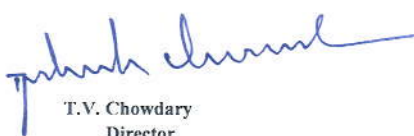
The accompanying notes are an integral part of the financial statements

As per our report of even date
For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 002283S

N. Anka Rao
Partner
Membership Number: 23939
Hyderabad
18.05.2024



For and on behalf of the Board


Dr. A.N.Gupta
Director
(DIN: 00053985)


T.V. Chowdary
Director
(DIN: 00054220)

Secunderabad
18.05.2024

PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 1 : Corporate information

1.1 PELNEXt Defence Systems Private Limited ("the Company or PELNEXt") has been incorporated as a wholly owned subsidiary of Premier Explosives Limited to manufacture defence products and the Company is yet to commence operations.

1.2 The Board of Directors approved the financial statements for the year ended 31st March, 2024 and authorised for issue on 18th May, 2024.

Note 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.

Note 2.1 : Basis of Preparation of financial statements

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.

All the amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs, or decimal thereof as per requirement of schedule III, unless otherwise stated.

(i) Compliance with Ind AS

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules as amended from time to time and other relevant provisions of the Act.

Since the company is a subsidiary of IND AS compliance company, the company's financial statements are prepared and presented in accordance with IND AS.

(iii) Current and non-current classification

An asset is classified as current if:

- (i) It is expected to be realised 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 atleast twelve months after the reporting period.

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 atleast twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non current only.

(iv) Operating Cycle

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

Note 2.2 : Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Director has been identified as the Chief Operating Decision Maker. Refer Note 12 for the segment information presented.

Note 2.3 : Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with Ind AS requires management of the Company to make estimates and assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets; liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in the current and future periods.

The Company uses the following accounting estimates in the preparation of financial statements:

- Provisions and contingent liabilities.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.4 : Foreign Currency Transactions

a) 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'). Indian Rupees is the functional currency of the company. The financial statements and all financial information are presented in Lakhs (INR).

b) 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 in terms of historical cost in a foreign currency, using the exchange rate at the date of the transaction. 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.

Note 2.5 : Revenue Recognition

Interest Income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Note 2.6 : Tax Expenses

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, based on estimated tax liability computed after taking credit for allowances and exemption in accordance with the prevailing tax laws for the year.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the income taxes are recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in the statement of financial position after off-setting the taxes paid or deemed to be paid and current income tax expenses for the year.

Deferred Income Taxes

Deferred tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax asset is recognised to the extent it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward unused tax credits and the carried forward unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow total or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is probable evidence that the Company will pay normal income tax in future years.

Deferred tax assets and liabilities are offset when it relates to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.7 : 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:

- a. Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b. 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 of 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 amortized 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 assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are 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 or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

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

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 shortterm 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.

Derecognition of financial assets

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.



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PELNEXT DEFENCE SYSTEMS PRIVATE LIMITED
Notes annexed to and forming part of the Financial Statements

Note 2.8 : 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized 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.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. On derecognition 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.

Note 2.9 : Offsetting of financial instruments

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

Note 2.10 : Impairments 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 and Equipment and Other 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 and impairment loss is recognised in the profit or loss.



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