B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

To the Members of **Vardhman Nisshinbo Garments Company Limited**

1. Report on the Ind AS Financial Statements

We have audited the accompanying financial statements of Vardhman Nisshinbo Garments Company Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss (including other comprehensive income), the Statement of changes in equity and the Statement of Cash Flow for the year then ended, and a summary of the significant accounting policies and other explanatory information. ('Ind AS financial statements').

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

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

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Ind AS, of the financial position of the company, as at 31 March 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year then ended.

5. Report on Other Legal and Regulatory Requirements

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

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

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

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

(c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Cash flow and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) On the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(i) The Company does not have any pending litigations which would impact its financial position;

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

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

(iv) The company has provided requisite disclosures with regard to the holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures performed by us and relying on the management representation we report that the disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management. Also refer to note 46 to the financial statements.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No: 108044

Place: Gurgaon
Date: 2 May 2017

Annexure A referred to in paragraph 5 (i) of the Independent Auditors' Report to the Members of Vardhman Nisshinbo Garments Company Limited on the financial statements for the year ended 31 March 2017, we report that:

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

(b)The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are physically verified by the management in accordance with a phased programme designed to cover all items of fixed assets over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on such verification.

(c)According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deed of the immovable property is held in the name of the Company.

(ii) According to the information and explanation given to us, the inventories, except materials-in-transit, has been physically verified by the management during the year. The discrepancies noticed on such verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) According to the information and explanation given to us, the company has not granted any loans, secured or unsecured, to companies and limited liability partnership covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the order is not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the provisions of section 185 and 186 of the Act are not applicable to the Company. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of Sections 73 to 76 or any other relevant provisions of the Act and the Rules framed there under.

(vi) The Central Government of India has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Act.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Service tax, duty of Customs, duty of Excise, cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value added tax, Service tax, duty of Customs, duty of Excise, cess and other material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Value added tax, Service tax, duty of Excise and duty of Customs which have not been deposited with the appropriate authorities on account of any dispute.

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has neither issued any debentures nor taken any loans or borrowings from financial institution and government during the year or outstanding as at 31 March 2017.

(ix) In our opinion and according to the information and explanations given to us, the term loan taken by the Company have been applied for the purposes for which they were raised. As informed to us, the Company has not raised any moneys by way of initial public offer or further public offer.

(x) According to the information and explanations given to us, certain instances of fraud on the Company have been observed by the management wherein few employees, whose services have been since terminated, have colluded amongst themselves and altered system generated sales invoices/bills in discordance to the Company systems resulting to a loss of Rs 2.71 lacs to the Company. As further informed to us, the Company has carried out a detailed investigation in respect of this matter and accordingly recovered Rs 2.43 lacs, from the concerned offenders. According to the information and explanations given to us, no other fraud on or by the Company was noticed or reported during the course of our audit for the year.

(xi) According to the information and explanations given to us, the Company has not paid or provided any managerial remuneration during the year. Accordingly, paragraph 3 (xi) of the Order is not applicable.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company and thus paragraph 3 (xii) of the Order is not applicable.

(xiii) Based on our examination of the books of account and according to the information and explanations given to us, all the transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the Ind AS financial statements, as required by the applicable accounting standards.

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

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 134.

For **B S R & Co. LLP**
Chartered Accountants
Firm registration no.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No: 108044

Place: Gurgaon
Date: 2 May 2017

Annexure B referred to in paragraph 5(ii) (f) of the Independent Auditor's Report to the Members of Vardhman Nisshinbo Garments Company Limited being report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Vardhman Nisshinbo Garments Company Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial 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 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 Act.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the 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, 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 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W / W-100022

Pravin Tulsyan
Partner
Membership No.: 108044

Place: Gurgaon
Date: 2 May 2017

Vardhman Nisshinbo Garments Company Limited
Balance Sheet as at 31 March 2017

(Amounts in Lacs)

Particulars	Note No.	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
ASSETS				
A Non-current assets				
(a) Property, plant and equipment	3 (a)	2,469.33	2,521.63	2,611.76
(b) Intangible assets	3 (b)	9.27	14.44	8.55
(c) Financial assets				
-Long term loans	4	0.71	1.13	2.31
-Others financial non-current assets	5	8.22	3.88	2.72
(d) Other non-current assets	6	4.35	0.06	0.40
(e) Other tax assets		24.84	1.89	1.76
Total non-current assets		2,516.72	2,543.03	2,627.50
B Current assets				
(a) Inventories	7	870.98	998.08	661.00
(b) Financial assets				
-Trade receivables	8	1,374.30	1,614.15	1,431.28
-Other bank balances	9	12.06	-	0.25
-Cash and cash equivalents	10	0.12	2.20	0.73
-Short term loans	11	0.48	0.75	0.63
-Other financial current assets	12	3.09	1.10	0.62
(c) Other current assets	13	536.73	418.30	340.80
Total current assets		2,797.76	3,034.58	2,435.31
TOTAL ASSETS		5,314.48	5,577.61	5,062.81
EQUITY AND LIABILITIES				
A Equity				
(a) Equity share capital	22	1,400.00	1,400.00	1,400.00
(b) Other equity				
-Equity component of 10% non cumulative convertible preference shares	22	614.46	614.46	614.46
- Retained earnings	23	(1,481.85)	(1,430.89)	(1,579.84)
- Other comprehensive income	23	1.37	4.29	(0.12)
Total equity		533.98	587.86	434.50
B Liabilities				
Non-current liabilities				
(a) Financial Liabilities				
-Long term borrowings	14	1,762.09	2,205.78	2,260.05
(b) Long term provisions	15	67.75	49.50	37.51
(c) Deferred Government grant	16	31.20	34.85	38.50
Total Non-current liabilities		1,861.04	2,290.13	2,336.06
Current liabilities				
(a) Financial Liabilities				
-Short term borrowings	17	1,630.81	1,575.02	1,163.72
-Trade payables				
(i) Total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	18	557.04	812.35	838.98
-Other financial current liabilities	19	683.86	259.75	231.47
(b) Other current liabilities	20	40.49	45.75	37.57
(c) Deferred Government grant	16	3.65	3.65	3.65
(d) Short term provisions	21	3.61	3.10	16.86
Total Current liabilities		2,919.46	2,699.62	2,292.25
Total liabilities		4,780.50	4,989.75	4,628.31
TOTAL EQUITY AND LIABILITIES		5,314.48	5,577.61	5,062.81

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

As per our report of even date attached
For B S R & Co. LLP
Chartered Accountants
Firm registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No. 108044

Place: Gurgaon
Date: 2 May 2017

For and on behalf of the Board of
Vardhman Nisshinbo Garments Company Limited

Neeraj Jain
Director
DIN: 00340459

D. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

Karan Walia
Company Secretary

Place: Ludhiana
Date: 2 May 2017

Vardhman Nisshinbo Garments Company Limited
LUDHIANA

Vardhman Nisshinbo Garments Company Limited
Statement of Profit and Loss for the year ended 31 March 2017

(Amounts in Lacs)

	Particulars	Note No	For the year ended 31 March 2017	For the year ended 31 March 2016
	Income			
	Revenue from operations (net)	24	5,828.84	5,799.22
	Other income	25	4.32	1.73
I.	**Total income**		**5,833.16**	**5,800.95**
	Expenses			
	Cost of materials consumed	26	3,299.36	3,543.48
	Changes in inventories of finished goods and work-in-progress	27	32.06	(12.46)
	Excise duty		166.96	20.25
	Employee benefits expense	28	1,040.75	879.41
	Finance cost	29	287.10	286.82
	Depreciation and amortisation expense	30	167.23	167.35
	Other expenses	31	890.66	767.15
II.	**Total expenses**		**5,884.12**	**5,652.00**
III.	**(Loss)/ profit before and after tax for the year (I-II)**		**(50.96)**	**148.95**
IV.	**Other comprehensive income**			
	Items that will not be reclassified subsequently to profit or loss			
	Actuarial (loss)/ gain on defined benefit obligation	28	(2.92)	4.41
	Income tax relating to these items		-	-
V.	**Total comprehensive income for the year (III+IV)**		**(53.88)**	**153.36**
	Earnings per equity share (Rs.) (par value of Rs. 10)	34		
	Basic		(0.36)	1.06
	Diluted		(0.36)	0.62
	Significant accounting policies	2		

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

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
Firm registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No. 108044

Place: Gurgaon
Date: 2 May 2017

For and on behalf of the Board of
Vardhman Nisshinbo Garments Company Limited

Neeraj Jain
Director
DIN: 00340459

D. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

Karan Walia
Company Secretary

Place: Ludhiana
Date: 2 May 2017

Vardhman Nisshinbo Garments Company Limited
LUDHIANA

Vardhman Nisshinbo Garments Company Limited
Statement of changes in equity for the year ended 31 March 2017

(Amounts in Lacs)

Particulars	Equity share capital (refer note 22)	Other equity		
		Equity component of 10% non cumulative convertible preference shares (refer note 22)	Retained earnings (refer note 23)	Other comprehensive income (refer note 23)
Balance as at 1 April 2015	1,400.00	614.46	(1,579.84)	(0.12)
Profit for the period	-	-	148.95	-
Remeasurement of defined benefit liability	-	-	-	4.41
Balance as at 31 March 2016	1,400.00	614.46	(1,430.89)	4.29

Particulars	Equity share capital (refer note 22)	Other Equity		
		Equity component of 10% non cumulative convertible preference shares (refer note 22)	Retained earnings (refer note 23)	Other comprehensive income (refer note 23)
Balance as at 1 April 2016	1,400.00	614.46	(1,430.89)	4.29
Profit for the period	-	-	(50.96)	-
Remeasurement of defined benefit liability	-	-	-	(2.92)
Balance as at 31 March 2017	1,400.00	614.46	(1,481.85)	1.37

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

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
Firm registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No 108044

Place: Gurgaon
Date:2 May 2017

For and on behalf of the Board of
Vardhman Nisshinbo Garments Company Limited

Neeraj Jain
Director
DIN: 00340459

D. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

Karan Walia
Company Secretary

Place: Ludhiana
Date:2 May 2017

Vardhman Nisshinbo Garments
LUDHIANA

Vardhman Nisshinbo Garments Company Limited
Cash Flow Statement for the year ended 31 March 2017

(Amounts in Lacs)

		Year ended 31 March 2017	Year ended 31 March 2016
A	**Cash flow from operating activities**		
	Net profit before tax	(50.96)	148.96
	Adjustments for:		
	Amortisation of deferred government grants	(3.65)	(3.65)
	Liabilities / provisions no longer required written back	(7.12)	(7.51)
	Interest income	(0.71)	(0.06)
	Finance cost	277.93	280.60
	Depreciation and amortisation expense	167.23	167.35
	Bad debts	-	1.90
	Provision for doubtful debts	7.50	15.39
	Loss on sale of fixed assets(net)	-	4.94
	Fixed asset written off	0.21	2.74
	Excise duty on closing stock	(0.52)	1.67
	Unrealized foreign exchange loss (net)	0.60	0.37
	Operating profit before working capital changes	390.51	612.70
	Adjustments for:		
	(Increase)/ decrease in other financial assets	(6.56)	0.95
	(Increase)/ decrease in other non current assets	(4.29)	0.34
	Decrease/ (increase) in inventories	127.62	(338.75)
	Decrease/ (increase) in trade receivables	232.00	(196.94)
	(Increase) in other current assets	(118.43)	(81.05)
	Increase in other financial liabilities	36.36	13.05
	Increase in provisions	15.84	2.64
	(Decrease) in trade payables	(248.34)	(19.00)
	Increase/ (decrease) in other current liabilities	(5.25)	8.18
	Cash generated from operations	419.46	2.12
	Income tax paid / tax deducted at source (net of refund and interest on refund)	(22.95)	(0.13)
	Net cash generated from operating activities	396.51	1.99
B	**Cash flows from investing activities**		
	Purchase of fixed assets (including capital advances)	(110.06)	(98.10)
	Sale of fixed assets	-	7.00
	Bank deposits (having original maturity of more than three months)	(10.55)	(1.26)
	Interest received	0.11	0.02
	Net cash used in investing activities	(120.50)	(92.34)
C	**Cash flows from financing activities**		
	Inter-corporate deposits taken	200.00	681.00
	Inter-corporate deposits paid back	(200.00)	(400.00)
	Proceeds from cash credit account	55.79	130.30
	Term loan repaid	(101.87)	(100.00)
	Interest paid	(232.01)	(219.48)
	Net cash (used in)/ generated from financing activities	(278.09)	91.82
	Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(2.08)	1.47
	Cash and cash equivalents at the beginning of the year*	2.20	0.73
	Cash and cash equivalents at the end of the year*	0.12	2.20

* Refer note 2 (u) and note 10

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No. 108044

Place: Gurgaon
Date: 2 May 2017

For and on behalf of the Board of
Vardhman Nisshinbo Garments Company Limited

Neeraj Jain
Director
DIN: 00340459

D. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

Karan Walia
Company Secretary

Place: Ludhiana
Date: 2 May 2017

Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2017

1. Corporate Information

Vardhman Nisshinbo Garments Company Limited (the Company), a subsidiary of Vardhman Textiles Limited, is a public limited company incorporated under the provisions of the Companies Act, 1956 on 17 April, 2009 domiciled in India and has its registered office at Chandigarh Road, Ludhiana . Vardhman Textiles Limited has entered into a joint venture with Nisshinbo Textile Inc., Japan for establishment of the Company for manufacture and sale of garments (mainly shirts).

These financial statements are approved for issue by the Company's Board of Directors on 2 May 2017.

2. Basis of preparation of financial statements

(a) Compliance with Ind AS

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The Company's financial statements up to and for the year ended 31 March 2016 were prepared in accordance with the accounting standards notified under section 133 of the Companies Act 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 (previous GAAP).

As these are the first financial statements of the Company prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101,"First Time Adoption of Indian Accounting Standards", has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the company is provided in Note 32.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following items:

- Derivative financial instruments measured at fair value
- Certain financial assets and liabilities measured at amortised cost

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

(c) Functional and Presentation currency

The financial statements are prepared in INR, which is the Company's functional currency. All financial information presented in INR has been rounded to the nearest rupee. Also refer note 2(q) for accounting policy in respect of accounting for foreign currency transactions.

Vardhman Nisshinbo Garments LUDHIANA

BSR & Co. LLP Chartered Accountants

(d) Going concern assumption

The accumulated losses of the Company as at 31 March 2017 are more than fifty percent of its net-worth as of that date. However, the management strongly believes that the losses are only temporary in nature and based on the orders in hand, expected orders from existing customers and expected growth in export business, the business of the Company would be rewarding going forward and the accumulated losses of the Company would be reduced within a few years. Additionally, the parent company has also given the support letter. On the basis of above, the management is of the view that the present accumulated losses do not have an impact on the going concern assumption of the Company. In view of the expected growth in export business, the management is also confident of being able to meet its export commitments under EPCG falls due from 2017-18 onwards.

(e) Use of Estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in note 2(f). Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

(f) Critical accounting estimates

Useful lives of property, plant and equipment
The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, internal assessment of user experience and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset.

The Company reviews the useful life of property, plant and equipment at the end of each reporting date.

Impairment of property, plant and equipment
The recoverable amount of property plant and equipment is based on estimates and assumptions regarding the expected market outlook and expected future cash flows. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment.

Post-retirement benefit plans
Employee benefit obligations are measured on the basis of actuarial assumptions including any changes in these assumptions that may have a material impact on the resulting calculations.

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Recognition of deferred tax assets

Recognition of deferred tax assets depends upon the availability of future profits against which tax losses carried forward can be used.

g) Fair value measurement

The fair value of financial instruments is determined using the valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

-Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

-Level 2: inputs other quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices)or(unadjusted) in active markets for identical assets or liabilities

-Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In case of financial instruments where the carrying amount approximates fair value due to the short maturity of those instruments, carrying amount is considered as fair value.

h) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable. Amounts disclosed as revenue inclusive of excise duty and net of returns, trade discounts, value added tax.

Sales of goods

Revenue from the sale of goods is recognised when:

(i) the significant risks and rewards of ownership of the goods are transferred to the buyer;

(ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(v) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sales of Services

Revenue from job work services rendered to the customers is recognised in accordance with the terms of the agreement, when the outcome of such transactions involving the rendering of services can be estimated reliably.

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Export Incentives

Export entitlements in respect of exports made under the various schemes are recognized in the Statement of profit and loss when right to receive credit as per the terms of scheme is established.

Interest

Interest income is recognized using the effective interest rate (EIR). It is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the 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.

Insurance and Other Claims

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

(i) Employees benefits

Short term employee benefits :

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, short-term bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

Post Employment Benefits

-Defined Contribution Plan:

Provident Fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

-Defined Benefit Plans:

Gratuity

The Company provides for gratuity, a defined benefit retirement plan ('the gratuity plan') covering eligible employees of the Company. The gratuity plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

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Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method.

The Company recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Actuarial gains and losses are recognised in other comprehensive income in the period when they are incurred and transferred to retained earnings immediately. All other expenses related to defined benefit plans are recognised in employee benefits expense in the Statement of profit and loss.

-Compensated absences

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(j) Property, plant and equipment

Under the Indian GAAP, property, plant and equipment were carried in the balance sheet on historical cost. The Company has elected to avail the option under Ind AS 101 by not applying the provisions of Ind AS 16 retrospectively and continue to use the Indian GAAP carrying amount as the deemed cost under Ind AS on the date of transition to Ind AS. Therefore, the Indian GAAP carrying amounts of items of property, plant and equipment as at 1 April 2015 (the Company's date of transition to Ind AS) have been considered as the carrying amounts under Ind AS on 1 April 2015. (Also refer note 32)

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises:

(a) its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates.
(b) any attributable expenditure directly attributable for bringing an asset to the location and the working condition for its intended use and
(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided on straight line method on the basis of useful lives of such assets specified in Schedule II to the Companies Act, 2013.

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 put to use before such date are disclosed under 'capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in net profit in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or

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retirement of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

(k) Intangible assets

Intangible assets in the form of purchased computer software are stated at cost less accumulated amount of amortization. Intangible assets are amortized (software) are amortised over a period of 4 years on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, other economic factors (such as the stability of the industry, and known technological advances), and level of maintenance expenditure required to obtain the expected future cash flows from the asset. The amortization method and useful lives are reviewed periodically at end of each financial year.

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

(m) Inventories

Inventories comprising raw materials, work in progress and finished goods are valued at cost or net realizable value, whichever is lower. The cost in respect of the various items of inventory is computed as under:

Stores and spares and packing materials are valued at cost.

Cost of raw materials, packing materials and stores and spares is determined using the weighted average cost and includes costs incurred in bringing the goods to their present location and condition. The cost of inventories have been computed to include all cost of purchases, cost of conversion and other related costs incurred in bringing the inventories to their present location and condition.

Work-in-progress includes the cost of materials consumed and an appropriate portion of allocable conversion costs and other overheads depending upon the stage of completion.

Finished goods include the cost of materials consumed and an appropriate portion of allocable conversion costs and other overheads incurred in bringing the goods to their present location and condition.

Slow and non-moving material, obsolesces, defective inventories are duly provided for and valued at net realisable value. Goods and material in transit are valued at actual cost incurred upto the date of balance sheet. Material and supplies held for use in the

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production of inventories are not written down if the finished products in which they will be used are expected to be sold at or above cost.

(n) Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share are computed using the weighted average number of equity and dilutive potential equity shares outstanding during the period, except where the results would be anti-dilutive.

(o) Income Taxes

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of 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 tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(p) Government Grants

The government grants are recognized only when there is reasonable assurance that the conditions attached to them shall be complied with and the grants will be received. Government grants related to assets are treated as deferred income and are recognized in the statement of profit and loss on a systematic and rational basis over the useful life of

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the asset. Government grants related to revenue are recognized on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate.

(q) Foreign Currency Transactions

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

The foreign currency monetary items are translated using the closing rate at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statements of profit and loss, within finance cost. All other foreign exchange gains and losses are presented in the statement of profit and loss on net basis.

(r) Dividends

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the company's board of directors.

(s) Financial instruments

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

Initial Recognition

The Company recognizes financial asset and financial liabilities when it becomes party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition.

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<u>*Subsequent Recognition*</u>

Non-derivative financial instruments

-Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

-Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

-Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories is subsequently measured at fair valued through profit or loss.

-Financial liabilities

The financial liabilities are subsequently carried at amortized 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.

Derivative financial instruments

The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the statement of profit and loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

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Equity shares

Equity shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Compound financial instruments-convertible preference Shares

Compound financial instruments comprise convertible preference shares are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity since conversion option meets Ind AS 32 criteria for fixed to fixed classification. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

-*Derecognition of financial instruments*

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired.

(t) Impairment of assets

Financial assets

The company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in statement of profit or loss.

Non-financial assets

Property, plant and equipment and intangible assets

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Property, plant and equipment and intangible assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(u) Cash and cash equivalents

The Cash and cash equivalent in the balance sheet comprise cash at banks, cash in hand and short-term deposits with a maturity period of three months or less from the balance sheet date, which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent for the purpose of the Statement of Cash Flows.
Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

(v) Provisions and contingent liabilities

A provision is recognized if, as a result of past event, the company has a present legal or constructive obligation that is reasonably estimable, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the company. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(w) Current – non-current classification

All assets and liabilities have been classified as current and non-current on the basis of the following criteria:

Assets

An asset is classified as current when it satisfies any of the following criteria:

a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is expected to be realised within 12 months after the reporting date; or

d) it is cash or cash equivalent unless it is restricted from being exchanged or use to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

a) it is expected to be settled in the company's normal operating cycle;

b) it is held primarily for the purpose of being traded;

c) it is due to be settled within 12 months after the reporting date; or

d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current

Operating cycle

Operating cycle is the time between the acquisition of assets for processing/servicing and their realisation in cash or cash equivalents.

(x) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components, and for which discrete financial information is available.

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Notes to the financial statements for the year ended 31 March 2017
(Amounts in Rupees)

3a. Property, plant and equipment
As at 31 March 2017

(Amounts in Lacs)

	Gross block				Accumulated Depreciation				Net Block
Description	As at 1 April 2016	Additions	Adjustments / Sale	As at 31 March 2017	As at 1 April 2016	For the year	Adjustments / Sale	As at 31 March 2017	As at 31 March 2017
Freehold land	119.57	44.24	-	163.81	-	-	-	-	163.81
Buildings	1,280.27	2.31	-	1,282.58	187.48	35.79	-	223.26	1,059.32
Plant and equipment	1,694.20	51.15	6.45	1,738.90	431.89	114.34	6.24	539.99	1,198.91
Furniture and fixtures	75.64	3.46	-	79.10	39.65	5.93	-	45.58	33.51
Vehicles	3.49	-	-	3.49	2.11	0.48	-	2.59	0.91
Office equipment	18.58	8.82	-	27.40	11.01	3.93	-	14.94	12.46
Computer equipment	12.26	-	-	12.26	10.26	1.60	-	11.86	0.40
Total	3,204.01	109.98	6.45	3,307.55	682.39	162.07	6.24	838.22	2,469.33

As at 31 March 2016

(Amounts in Lacs)

	Gross block				Accumulated Depreciation				Net Block	
Description	As at 1 April 2015	Additions	Adjustments/ Sale	As at 31 March 2016	As at 1 April 2015	For the year	Adjustments/ Sale	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
Freehold land	119.57	-	-	119.57	-	-	-	-	119.57	119.57
Buildings	1,278.94	1.33	-	1,280.27	152.10	35.38	-	187.48	1,092.80	1,126.84
Plant and equipment	1,640.55	69.90	16.25	1,694.20	324.76	111.43	4.31	431.89	1,262.31	1,315.79
Furniture and fixtures	77.82	9.17	11.35	75.64	43.88	4.62	8.86	39.65	35.99	33.94
Vehicles	3.49	-	-	3.49	1.63	0.48	-	2.11	1.39	1.87
Office equipment	16.72	2.22	0.36	18.58	4.26	6.86	0.11	11.01	7.57	12.46
Computer equipment	10.93	1.33	-	12.26	9.62	0.64	-	10.26	2.00	1.31
Total	3,148.02	83.95	27.96	3,204.01	536.26	159.40	13.27	682.39	2,521.63	2,611.76

3b. Intangible assets
As at 31 March 2017

(Amounts in Lacs)

	Gross block				Accumulated Amortisation				Net Block
Description	As at 1 April 2016	Additions	Adjustments / Sale	As at 31 March 2017	As at 1 April 2016	For the year	Adjustments / Sale	As at 31 March 2017	As at 31 March 2017
Computer software	40.71	-	-	40.71	26.28	5.16	-	31.44	9.27
Total	40.71	- .00	- .00	40.71	26.28	5.16	- .00	31.44	9.27

As at 31 March 2016

(Amounts in Lacs)

	Gross block				Accumulated Amortisation				Net Block	
Description	As at 1 April 2015	Additions	Adjustments/ Sale	As at 31 March 2016	As at 1 April 2015	For the year	Adjustments / Sale	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
Computer software	26.88	13.83	-	40.71	18.33	7.94	-	26.28	14.44	8.55
Total	26.88	13.83	-	40.71	18.33	7.94	-	26.28	14.44	8.55

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Notes to the financial statements for the year ended 31 March 2017
(Amounts in Rupees)

(Amounts in Lacs)

4 Long term loans
(Unsecured considered good, unless otherwise stated)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other loans			
-loans to employees	1.20	1.88	2.94
Less : Current matoirities of loan to employees classified as short term loans (refer note 11)	(0.48)	(0.75)	(0.63)
	0.72	1.13	2.31

5 Other financial non current assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Security deposits	8.22	2.37	2.72
Bank deposits (due to mature after twelve months from the reporting date)	-	1.51	-
	8.22	3.88	2.72

6 Other non-current assets

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Prepaid expenses	4.32	-	0.33
Deferred employee benefit liabilities	0.03	0.06	0.07
	4.35	0.06	0.40

7 Inventories
(at cost or net realisable value, whichever is lower)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Raw materials			
-fabric	115.53	293.39	25.23
-trims	141.19	80.86	54.27
Stores and spares	94.62	94.49	35.53
Work-in-progress - shirts	261.64	254.24	281.50
Finished goods - manufactured shirts	232.89	272.35	232.62
Raw material in transit	25.11	2.75	31.86
	870.98	998.08	661.00

8 Trade receivables
(unsecured and considered good, unless otherwise stated)#

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Receivables outstanding for a period exceeding six months from the date they are due for payment			
-considered good	25.35	2.12	4.19
-considered doubtful	28.60	21.10	9.26
Less: Provision for doubtful debts	(28.60)	(21.10)	(9.26)
	25.35	2.12	4.19
Other receivables			
-considered good	1,348.94	1,612.04	1,427.09
	1,374.30	1,614.15	1,431.28

Refer note 43 in respect of the company's exposure to credit and currency risk related to trade receivables.

9 Other bank balances*

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
- Bank deposits (due to mature within twelve months from the reporting date)	0.50	-	0.25
Margin money deposit#	11.56	-	-
	12.06	-	0.25

These are not freely remissible to the company as these are held with the government authorities as guarantees

10 Cash and cash equivalents *

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Cash and cash equivalents			
- cash in hand	-	-	0.41
Balance with banks			
- current accounts	0.12	2.20	0.32
	0.12	2.20	0.73

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Notes to the financial statements for the year ended 31 March 2017
(Amounts in Rupees)

11 Short term loans*

(Amounts in Lacs)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Other loans			
-loans to employees	0.48	0.75	0.63
	0.48	0.75	0.63

12 Other financial current assets*

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Interest accrued but not due:			
- fixed deposits with banks	0.65	0.05	0.02
Other recoverables	-	0.22	0.20
Advances to employees	0.04	-	0.21
Derivative Instruments at fair value through profit and loss			
Derivative instruments not designated as hedges	2.41	0.83	0.19
	3.09	1.10	0.62

* Refer note 43 in respect of the company's exposure to interest rate risk and credit risk

13 Other current assets

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Prepaid expenses	5.02	1.48	3.67
Deferred employee benefit liabilities	0.03	0.05	0.09
Interest subsidy claim receivable (refer note 37)	404.47	330.70	253.54
Capital subsidy receivable (refer note 37)	53.42	53.42	53.42
Other recoverables	46.77	12.46	22.04
Advances to suppliers and contractors			
Considered good	27.03	20.20	8.03
Considered doubtful	3.55	3.55	-
Less: Provision for doubtful advances	(3.55)	(3.55)	-
	536.73	418.30	340.80

14 Long-term borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Term loans			
From banks*	1,702.13	1,804.00	1,904.00
Less: Current maturities of long term borrowings (refer note 19)	492.00	100.00	100.00
	1,210.13	1,704.00	1,804.00
Liability component of 10% non cumulative convertible preference shares #	551.96	501.78	456.05
	1,762.09	2,205.78	2,260.05

Liability component of 10% non cumulative convertible preference shares includes interest expense of Rs.16,641,487 recognised upto current year (including Rs.11,623,685 and Rs 7,050,689 recognised upto year 2015-16 and 2014-15 respectively). Interest expense is calulated by applying the effective interest rate of 10% to the liability component.

(a) Term loan from bank is secured by first charge on entire fixed assets of the Company, both present and future, including factory land and building and hypothecation of all current assets, both present and future.

(b) Term loan from bank is repayable in equal quarterly installments with aggregated annual amounts reported as under:

Repayment	31-March-2017 (in millions)	31-March-2016 (in millions)
2016-17	-	10
2017-18	49.2	49.2
2018-19	49.2	49.2
2019-20	71.8	72

Term loan from bank carries a floating interest rate of base rate plus 1.35 % per annum, payable monthly

(c) Liability component of 10% non cumulative convertible preference shares having tenure of 10 years can be converted into equity shares of Vardhman Nisshinbo Garments Company Limited at par any time after its allotment at the option of the preference shareholder.

* Refer note 37

Vardhman Nisshinbo Garments Company Limited
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15 Long-term provisions

(Amounts in Lacs)

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Provision for employee benefits			
Compensated absences	15.05	11.27	7.35
Gratuity (refer note 40)	52.70	37.82	29.85
Provision for retention bonus	-	0.41	0.31
	67.75	49.50	37.51

16 Deferred government grant

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Capital Subsidy*	34.85	38.50	42.15
	34.85	38.50	42.15
Non-current	31.20	34.85	38.50
Current	3.65	3.65	3.65

* The company has recognised governemnt grant as deferred which has been received for the plant & equipment, the same is being amortised over the useful life of the plant & equipment in proportion in which the related depreciation expense is recognised. Their are no unfufilled conditions or contigencies attached to this grant

17 Short-term borrowings

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Loan repayable on demand (unsecured)			
- from related party-Vardhman Textiles Limited, the holding company	1,199.12	1,199.12	918.12
Cash credit account- secured	431.69	375.90	245.60
	1,630.81	1,575.02	1,163.72

The cash credit facilities from State Bank of India are repayable on demand and are secured by hypothecation of entire stock of raw material, stock in process and finished goods, receivables / book debts and other current assets of the Company, both present and future. These limits are also secured by second pari passu charge on entire fixed assets of the Company, both present and future, including factory land and building. The rate of interest as on 31 March 2016 is 10.55% per annum.

18 Trade payables

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Due to micro and small enterprises (refer note 41)	-	-	-
Creditors other than micro and small enterprises			
- Related parties - Vardhman Textiles Limited, the holding company	212.69	435.36	442.07
- Related parties - Vardhman Yarns and Threads Limited, a fellow subsidiary	55.26	8.55	36.48
- Others	288.06	368.44	360.43
	557.84	812.35	838.98

19 Other financial current liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current maturities of long-term borrowings	492.00	100.00	100.00
Interest accrued but not due on short term borrowings from Vardhman Textiles Limited	83.07	87.33	71.94
Creditors for fixed assets	12.81	12.81	12.96
Other payables:			
-employee dues	90.70	57.82	43.89
-others	5.28	1.79	2.68
	683.86	259.75	231.47

20 Other current liabilities

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Statutory dues payable			
-sales tax	7.80	12.95	12.13
-excise duty payable	-	1.78	-
-provident fund	11.41	9.35	8.10
-employee state insurance (ESI)	3.92	4.11	3.03
-Labour welfare fund payable	0.92	0.66	0.52
-tax deducted at source	11.39	13.33	10.89
Advance from customers	5.05	3.57	2.89
	40.49	45.75	37.57

21 Short-term provisions

	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Provision for employee benefits			
Compensated absences	1.74	1.45	0.69
Gratuity (refer note 40)	1.67	1.65	1.17
Provision for retention bonus	-	-	15.00
	3.61	3.10	16.86

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22 Share capital

		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Authorised				
Equity shares	28,000,000 (previous year 28,000,000) equity shares of Rs. 10 each	2,800.00	2,800.00	2,800.00
Preference shares	14,000,000 (previous year 14,000,000) preference shares of Rs. 10 each	1,400.00	1,400.00	1,400.00
		4,200.00	4,200.00	4,200.00
Issued, subscribed and paid up equity shares	14,000,000 (previous year 14,000,000) equity shares of Rs. 10 each fully paid up	1,400.00	1,400.00	1,400.00
		1,400.00	1,400.00	1,400.00

Convertible Preference Shares

The Company has issued 10,000,000 10% non-cumulative convertible preference shares of Rs.10 each on 28 June 2013 having tenure of 10 years. These preference Shares can be converted into equity shares of Vardhman Nisshinbo Garments Company Limited at par any time after its allotment at the option of preference shareholders. The preference shares are presented in the balance sheet as follows:-

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Face value of preference shares issue	1,000.00	1,000.00	1,000.00
Liability component of 10% non cumulative convertible preference shares *	385.54	385.54	385.54
Equity component of convertible preference shares	614.46	614.46	614.46

* Liability component of 10% non cumulative convertible preference shares has been shown under long term borrowings refer note-14

(a) Rights, preferences and restrictions attached to shares

Vardhman Nisshinbo Garments Company Limited

Preference shares - The Preference Shares shall carry a coupon rate of dividend of 10% and are non-cumulative convertible preference shares having tenure of 10 years. Preference shares can be converted into equity shares of Vardhman Nisshinbo Garments Company Limited at par any time after its allotment at the option of the preference shareholder. Upon a show of hands or upon a poll, the voting right of every preference shareholders shall be subject to the provisions, limitations and restrictions as applicable thereon.

(b) During the current year and in the previous year, there have been no movements in the number of equity shares outstanding

(c) Shares held by ultimate holding company/ holding company and/ or their subsidiaries/ associates

	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Vardhman Textiles Limited (holding company)						
Equity shares of Rs. 10 each fully paid up	71,40,000	714.00	71,40,000	714.00	71,40,000	714.00
10% non-cumulative convertible preference shares of Rs. 10 each fully paid up*	1,00,00,000	1,000.00	1,00,00,000	1,000.00	1,00,00,000	1,000.00
	1,71,40,000	1,714	1,71,40,000	1,714.00	1,71,40,000	1,714.00

*Represents the face value of the preference shares held by the Vardhman Textile Limited (holding company)

(d) Details of shareholders holding more than 5% shares of the Company

	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of shares	% holding in the class	Number of shares	% holding in the class	Number of shares	% holding in the class
Equity shares of Rs. 10 each fully paid up held by						
Vardhman Textiles Limited (holding company)	71,40,000	51%	71,40,000	51%	71,40,000	51%
Nisshinbo Textile Inc	68,60,000	49%	68,60,000	49%	68,60,000	49%
	1,40,00,000	100%	1,40,00,000	100%	1,40,00,000	100%

	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
10% non cumulative convertible preference shares of Rs. 10 each fully paid up held by*						
Vardhman Textiles Limited (holding company)	1,00,00,000	100%	1,00,00,000	100%	1,00,00,000	100%
	1,00,00,000	100%	1,00,00,000	100%	1,00,00,000	100%

*Represents the face value of the preference shares held by the Vardhman Textile Limited (holding company)

(e) During the five years period ended 31 March 2017 and 31 March 2016, neither any bonus shares or shares issued for consideration other than cash that have been issued nor any shares that have been bought back

23 Other equity

	As at 31 March 2017	As at 31 March 2016
Retained Earning		
Balance at the begining of the year	(1,430.89)	(1,579.84)
-Profit for the year	(50.96)	148.96
Balance at the end of the period	(1,481.85)	(1,430.89)

	As at 31 March 2017	As at 31 March 2016
Other Comprehensive Income		
Balance at the begining of the year	4.29	(0.12)
-Remeasurement of defined benefit liability-actuarial (loss)/ gain	(3.92)	4.41
Balance at the end of the period	1.37	4.29

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(Amounts in Lacs)

24 Revenue from operations	Year ended 31 March 2017	Year ended 31 March 2016
Sale of products		
-own manufactured textile garments (shirts)	5640.73	5678.65
-traded goods (fabric)	42.74	48.14
	5683.47	5726.79
Sale of services - stitching charges / job work	8.41	18.64
Other operating income		
-Liabilites / provisions no longer required written back	7.12	7.51
-scrap sales	17.14	9.78
-export benefits	94.76	26.10
-amortisation of deferred government grant	3.65	3.65
-Foreign exchange gain (net)	14.29	6.75
	5,828.84	5,799.22

25 Other income	Year ended 31 March 2017	Year ended 31 March 2016
Interest income on :		
- fixed deposits with banks	0.24	0.06
Fair value gain on derivaties not designated as hedges	2.41	0.83
Interest income from financial assests measured as amortised cost	0.05	0.09
Others	1.61	0.75
	4.32	1.73

26 Cost of materials consumed	Year ended 31 March 2017	Year ended 31 March 2016
Fabric	2,840.96	3,082.33
Trims	458.40	461.15
	3,299.36	3,543.48

27 Changes in inventories of finished goods and work-in-progress	Year ended 31 March 2017	Year ended 31 March 2016
Opening stock (shirts)		
-work-in-progress	254.24	281.50
-finished goods - own manufactured	272.35	232.62
Less : Closing stock (shirts)		
-work-in-progress	261.64	254.24
-finished goods - own manufactured	232.89	272.35
Net Decrease/(Increase) in inventories	32.06	(12.46)

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28 Employee benefits expense

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries, wages, gratuity, compensated absences and bonus	938.74	784.11
Contribution to provident and other funds	99.81	83.84
Workmen and staff welfare expenses	5.08	6.96
Amortisation of defered employee benefit expense on employee loan	0.05	0.09
	1043.67	875.00
Less: Acturial loss/ (gain) presented in other comprehensive income	2.92	-4.41
	1040.75	879.41

29 Finance cost

	Year ended 31 March 2017	Year ended 31 March 2016
Interest expense	227.76	234.87
Interest expense on liability component of 10% non cumulative convertible preference shares	50.18	45.73
Other borrowing cost	9.17	6.22
	287.10	286.82

30 Depreciation and amortisation expense

	Year ended 31 March 2017	Year ended 31 March 2016
Depreciation on property, plant and equipment	162.07	159.40
Amortisation of intangible asset	5.16	7.94
	167.23	167.35

31 Other expenses

	Year ended 31 March 2017	Year ended 31 March 2016
Consumption of stores and spare parts	35.49	50.45
Packing materials consumed	328.95	304.17
Power and fuel	98.82	95.62
Freight, clearing and forwarding	110.88	76.65
Repairs and maintenance		
- machinery	49.39	35.22
- others	41.00	6.19
Insurance	2.24	5.06
Rates and taxes	3.25	2.65
Legal and professional (refer note 38)	87.82	29.79
Travelling and conveyance	40.87	36.26
Printing and stationery	7.88	7.20
Communication expenses	6.20	5.19
Sales promotion	17.65	11.60
Expense for group corporate services	3.28	3.25
Processing charges	15.50	22.37
Provision for doubtful debts/advances	7.50	15.39
Bad debts/sundry balances written off	-	1.90
Loss on sale of fixed assets (net)	-	4.94
Fixed asset written off	0.21	2.74
(Increase)/ decrease in excise duty on change in inventories of finished goods	(0.52)	1.67
Miscellaneous expenses	34.24	48.84
	890.66	767.15

32. First time adoption of Ind AS

The financial statements of Vardhman Nisshinbo Garments Company Limited for the year ended 31 March 2017 are required to be prepared in accordance with Ind AS. For all periods up to and for the year ended 31 March 2016, the Company had prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in India and complied with the accounting standards as notified under section 133 of the Companies Act 2013, read with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP).

Accordingly, the Company has now prepared financial statements which comply with Ind AS applicable for period ended 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2015, the Company's date of transition to Ind AS. An explanation of how the transition from previous GAAP to Ind AS has affected Company's Balance sheet, Statement of profit and Loss, is set out in note 33. Exemptions on first time adoption of Ind AS availed in accordance with Ind AS 101 have been set out below.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has, accordingly, applied following exemptions:

a) Property, plant and equipment and deemed costs

The Company has elected to avail the option under Ind AS 101 by not applying the provisions of Ind AS 16 – Property, plant and equipment retrospectively and continue to use the Indian GAAP carrying amount as a deemed cost under Ind AS at the date of transition to Ind AS. The same selection has been made in respect of intangible assets.

b) Estimates

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP. (after adjustments to reflect any differences in accounting policies)

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Notes to the financial Statements for the year ended 31 March 2017

33. Reconcillations
The following reconciliations provides the effect of transition to Ind AS from IGAAP in accordance with Ind AS 101

(a) Equity as at 1 April 2015 and 31 March 2016

(Amount in Lacs)

Particulars	Ref	Opening Balance sheet as at 1 April 2015			Balance sheet as at 31 March 2016		
		As per previous GAAP	Effect of transition to Ind AS	As per Ind AS	As per previous GAAP	Effect of transition to Ind AS	As per Ind AS
ASSETS							
Non-current assets							
(a) Property, plant and equipment	7	2,569.61	42.15	2,611.76	2,483.13	38.50	2,521.63
(b) Intangible assets		8.55	-	8.55	14.44	-	14.44
(c) Financial assets		-	-		-	-	
-Long term Loans	1	2.37	(0.07)	2.30	1.19	(0.06)	1.13
-Others financial non-current assets		2.72	-	2.72	3.89	-	3.89
(d) Other non-current assets	1	0.33	0.07	0.40	-	0.06	0.06
(e) Other tax assets		1.76	-	1.76	1.89	-	1.89
Total of non-current assets		**2,585.34**	**42.15**	**2,627.50**	**2,504.53**	**38.50**	**2,543.03**
Current assets							
(a) Inventories		661.00	-	661.00	998.08	-	998.08
(b) Financial assets							
-Trade receivables		1,431.28	-	1,431.28	1,614.15	-	1,614.15
-Other bank balances		0.25	-	0.25	-	-	-
-Cash and cash equivalents		0.73	-	0.73	2.20	-	2.20
-Short term loans	1	0.73	(0.09)	0.63	0.80	(0.05)	0.75
-Other financial current assets	2	0.42	0.19	0.62	0.27	0.83	1.10
(c) Other current assets	1	340.70	0.09	340.80	418.25	0.05	418.30
Total of current assets		**2,435.12**	**0.19**	**2,435.31**	**3,032.76**	**0.83**	**3,034.59**
TOTAL OF ASSETS		**5,020.46**	**42.35**	**5,062.81**	**5,538.29**	**39.33**	**5,577.61**
EQUITY AND LIABILITIES							
Equity							
(a) Equity share capital		1,400.00	-	1,400.00	1,400.00	-	1,400.00
(b) Other equity	8	(502.27)	(463.23)	(965.50)	(302.27)	(509.87)	(812.14)
Total of equity		**897.73**	**(463.23)**	**434.50**	**1,097.73**	**(509.87)**	**587.86**
Liabilities							
Non-current liabilities							
(a) Financial liabilities		-	-				
-Long term borrowings	5	1,804.00	456.05	2,260.05	1,704.00	501.78	2,205.78
-Other financial non current liabilites		-	-		-	-	
(b) Long term provisions		37.51	-	37.51	49.50	-	49.50
(c) Deferred govt grant	7	-	38.50	38.50	-	34.85	34.85
Total of non-current liabilities		**1,841.51**	**494.55**	**2,336.06**	**1,753.50**	**536.63**	**2,290.13**
Current liabilities							
(a) Financial liabilities							
-Short term borrowings		1,163.72	-	1,163.72	1,575.02	-	1,575.02
-Trade payables	6	831.60	7.37	838.98	803.44	8.91	812.35
-Other financial current liabilities		231.47	-	231.47	259.75	-	259.75
(b) Other current liabilities		37.57	-	37.57	45.75	-	45.75
(c) Deferred govt grant	7	-	3.65	3.65	-	3.65	3.65
(d) Short term provisions		16.86	-	16.86	3.09	-	3.09
Total of current liabilities		**2,281.22**	**11.03**	**2,292.24**	**2,687.05**	**12.57**	**2,699.62**
TOTAL OF EQUITY AND LIABILITIES		**5,020.46**	**42.35**	**5,062.81**	**5,538.29**	**39.33**	**5,577.61**

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Notes to the financial Statements for the year ended 31 March 2017

33 (b) 'Reconciliation of Statement of Profit and Loss as previously reported under IGAAP to Ind AS

(Amount in Rupees.)

Particulars	Ref	Year ended 31 March 2016		
		As per previous GAAP	Effect of transition to Ind As	As per Ind AS
Income				
Revenue from operations (net)	4,7	5,775 51	23 71	5,799 22
Other income	1,2	0.81	0 92	1 73
Total Income		5,776.32	24.63	5,800.95
Expenses				
Cost of materials consumed	6	3,540 60	2 88	3,543 48
Change in inventories of finished goods and work-in-progress		(12 46)	-	(12 46)
Excise duty	4	-	20 25	20 25
Employee benefit expense	1,3	874 91	4 50	879 41
Finance cost		241 09	45 73	286 82
Depreciation and amortisation expense	7	163 69	3 65	167 35
Other expenses	6	768 49	(1 34)	767 15
Total expenses		5,576 12	75 68	5,651 99
Profit before tax		0 00	(0 00)	148 96
Tax expense				
(1) Current tax		-	-	-
(2) Deferred tax		-	-	-
Profit for the period		0 00	(0 00)	148 96
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Acturial gain on defined benefit obligation	3	-	4 41	4 41
Income tax relating to these items		-	-	-
Items that will be reclassified to profit or loss				
Income tax relating to items that will be reclassified to profit or loss		-	-	-
Total comprehensive income for the period		0 00	4 41	153 36

Notes to the reconciliation of equity as at 1 April 2015 and 31 March 2016 and statement of profit and loss for the year ended 31 March 2016

1. Financial instruments measured at amortised cost

Under Indian GAAP, interest free loan to employees were recorded at their transaction value Under Ind AS, these loans are to measured at amortised cost on the basis of effective interest rate method Due to this, long term loan to employees and short term loans to employees has decreased by Rs 7,147 and 9,299 respectively as at 1 April 2015 (31 March 2016:Rs 6,042 and Rs 4,867 respectively) and difference between carrying amount and amortised cost has been recognized as Deferred employee benefit liability under the head 'Other non-current assets'/'Other current assets' Further in the year 2015-16 , Employee benefit expense as at 31 March 2016 decreased by Rs 9,299 due to amortisation of the deferred employee benefit liability which is offset by the notional interest income of Rs 9,299 recognised on loan to employees

2. Derivative Instruments

The fair value of derivative instruments i e forward contracts was recognized under Ind AS which was not recognized under Indian GAAP Derivative instruments at fair value through profit or loss reflect the positive change in fair value in those foreign exchange forward contracts that are not designated in hedge relationships, but are nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases Accordingly as per requirement of Ind AS, Rs 19,431 has been adjusted in retained earnings as on 1 April 2015 on account of fair value of derivative instruments The profit for the year and total equity as at 31 March 2016 increased by Rs 82,822 due to fair value of the derivative instruments

3. Defined benefit obligation

Under Ind AS, remeasurements i e acturial gains and losses were recognized in other comprehensive income and not reclassified to profit and loss in a subsequent period Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year As a result of this change, the profit for the year ended 31 March 2016 decreased by Rs 440,838 and acturial gain of the same amount has been recognised in other comprehensive income

4. Excise duty

Under Indian GAAP, sale of goods was presented as net of excise duty However, under Ind AS, sale of goods includes excise duty Thus, sale of goods under Ind AS has increased by Rs 20,25,297 with a corresponding increase in excise duty disclosed under expenses in the statement of profit and loss

5. Convertible preference shares

The Company has issued non cumulative convertible redeemable preference shares Under Indian GAAP, the preference shares were classified as equity and dividend payable thereon was treated as distribution of profit Under Ind AS, convertible preference shares are separated into liability and equity components based on the terms of the contract Interest on liability component is recognised using the effective interest method Thus the preference share capital is reduced by Rs 38,554,329 as on 1 April 2015 (31 March 2016: Rs 38,554,329) with a corresponding increase in borrowings as liability component On the liability component interest expense is calculated which leads to decrease in equity by Rs 7,050,689 as on 01-April-2015 The profit for the year and equity as at 31-March-2016 decreased by Rs 5,017,801 due to interest expense on the liability component of non cumulative convertible redeemable preference shares

6. Rectification of previous period errors

Under Ind AS previous period errors were corrected by restating the figures of the period to which the error pertains On 01-April-2015 amount of Rs 737,353 has been adjusted through other equity with corresponding increase in trade payables on account of previous period errors The profit for the year ended 31-March-2016 decreased by Rs 891,402 with corresponding increase in trade payable on account of errors identified during the year 2016-17 which pertains to the year 2015-16

7. Government Grant

Under Ind AS, Government grant related to fixed assets are treated as deferred income and are recognized in the statement of profit and loss on a systematic basis and rational basis over the useful life of the asset On 01-April-2015 amount of government grant of Rs 4,215,266 (31 March 2016: Rs 3,850,061) has been adjusted by increase in the property, plant and equipment with corresponding adjustment in deferred government grant In the year 2015-16 amount of Rs.365,205 has been recognised under revenue from operations on account of amortisation of government grant with corresponding increase in the depreciation expense in the statement of profit and loss

8. Other equity

Other equity as at 1 April 2015 has been adjusted consequent to the above Ind AS transition adjustments

33 (c) 'Cash flow statement

There were no significant reconciliation items between cash flows prepared under Indian GAAP and those prepared under Ind AS

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34. Earnings per share:

The computation of basic and diluted earnings per share is set out below:

Amounts in Lacs

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Net Profit after tax attributable to equity shareholders	(50.96)	148.95
Number of weighted average equity shares		
Basic	140.00	140.00
Add: Effect of dilutive equity shares 10% - non- cumulative convertible preference share	-*	100.00
Diluted	140.00	240.00
Nominal value of equity share	10	10
Nominal value of 10% non-cumulative convertible preference share	10	10
Earnings per equity share		
Basic	(0.36)	1.06
Diluted	(0.36)	0.62
*10% non-cumulative convertible preference shares are the potential equity shares considered to be anti-dilutive in nature; Accordingly these have not been adjusted to arrive at the dilutive earnings per share.		-

35. Capital commitments and others:

Amount in Lacs

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
(a) Exports obligations under Export Promotion Capital Goods (EPCG) scheme	735.57	974.92	1,559.62
(b) As per the sanction letter for the term loan taken from a bank, the Company is required to create a reserve before December 2017 equivalent to 50% of repayment of installments of the year 2018, 2019 and 2020.			

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36. Related parties:

(i) Related parties and nature of related party relationship where control exists:

Description of relationship	Name of the party
Holding company	Vardhman Textiles Limited, India (VTL)

(ii) Other related parties with whom transactions have taken place during the year:

Description of relationship	Name of the party	
Joint venture	Nisshinbo Textile Inc., Japan	
Fellow subsidiary company	Vardhman Yarns and Threads Limited, India	
Subsidiary of joint venturer	Naigai Shirts Co. Ltd, Japan Nisshinbo Shanghai Co .Ltd., China	
Key managerial person	Mr. D.L. Sharma Mr. Anil Sood Ms. Karan Walia	Whole-Time Director Chief Financial Officer from 10 March 2015 Company Secretary from 25 November 2014

(iii) Transactions with related parties:

Amounts in Lacs

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Short-term borrowings taken during the year		
Vardhman Textiles Limited	200.00	681.00
Short-term borrowings repaid during the year		
Vardhman Textiles Limited	200.00	400.00
Interest expense on short-term borrowings		
Vardhman Textiles Limited	92.29	97.02
Interest paid on short-term borrowings		
Vardhman Textiles Limited	97.02	81.64
Expenses paid on behalf of the others		
Vardhman Textiles Limited	1.73	2.19
Expenses paid by others on behalf of the Company		
Vardhman Textiles Limited	15.55	59.67
Vardhman Yarns and Threads Limited	108.51	94.79

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Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Purchase of raw materials		
Vardhman Textiles Limited	1,343.32	1,632.86
Nisshinbo Shanghai Co .Ltd.	Nil	10.44
Purchase of stores and spares/ capital items		
Vardhman Textiles Limited (capital items)	1.59	Nil
Vardhman Yarns and Threads Limited	40.96	45.17
Nisshinbo Textile Inc.	0.08	3.42
Revenue		
Vardhman Textiles Limited	3.87	2.90
Vardhman Yarns and Threads Limited	0.38	0.37
Nisshinbo Textile Inc.	497.76	134.50
Remuneration paid to Key managerial personnel		
Mr. Anil Sood	7.14	5.86

iv) Balances due from/ to the related parties:

Amounts in Lacs

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Short-term borrowings			
Vardhman Textiles Limited	1,199.12	1,199.12	918.12
Interest accrued but not due on short-term borrowings (net of TDS)			
Vardhman Textiles Limited	83.06	87.32	71.94
Advance to suppliers			
Naigai Shirts Co. Ltd	1.36	1.35	1.27
Nisshinbo Textile Inc.	0.04	0.05	Nil
Nisshinbo Shanghai Co. Ltd.	0.43	0.43	Nil
Trade payables			
Vardhman Textiles Limited	212.69	435.35	442.06
Vardhman Yarns and Threads Limited	56.26	8.54	36.48
Trade receivables			
Nisshinbo Textile Inc.	Nil	22.30	25.12

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37. The Government introduced the modified Technology Upgradation Fund Scheme (TUFS) for the textiles and jute industries with effect from 1 April 2007 upto 31 March 2012 and extended till 31 March 2017 in order to provide the financial and operational parameters of the scheme in respect of loans sanctioned with effect from 1 April 2007. Complying with the conditions of the Scheme, the Company received initial approval under TUFS, to the extent of Rs.1,952.00 Lacs. On account of savings in the project cost post implementation this amount is being worked out to Rs.1,699.32 Lacs on the basis of which claims have been acknowledged by the bank.

    The Scheme provides the following benefits to the Company:

    - a reimbursement of 5% on the interest charged by the lending agency on technology upgradation project in conformity with the Scheme.
    - 10% capital subsidy on specified machinery required in manufacture of technical textiles and garmenting machines.

    As per the above Scheme, the Company has recognised:

    - Interest subsidy of 5% amounting to Rs.468.91 Lacs recognised upto current year (previous year Rs. 395.14 Lacs) in the Statement of Profit and Loss, with a recoverable Rs. 404.46 (previous year Rs. 330.69 Lacs previous year) under the head "Other current assets" in the balance sheet.
    - 10% capital subsidy amounting to Rs.53.41 Lacs (previous year Rs. 53.41 Lacs) on specified machinery by showing the same as a deferred government grant with a recoverable under the head "Other current assets" in the Balance Sheet.

38. Auditor's remuneration:

Amounts in Lacs

Particulars	**Year ended 31 March 2017**	**Year ended 31 March 2016**
Audit fee (excluding service tax)		
- statutory audit	8.50	8.50
- certification work	0.25	0.25
- reimbursement of expenses	0.56	0.51
Total	**9.31**	**9.26**

39. Segment reporting

The Company is in the business of manufacture and sales of textile garments (mainly shirts).This is the only activity performed and is thus also the main source of risks and returns. Company has a single reportable segment which is reviewed by top management. Further company operates in more than one geographical segment hence the relevant disclosures as per IND AS 108 are applicable to the company.

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Geographical information

The geography wise revenue and assets based on domicile of customer and location of assets respectively are as follows:

Amount in Lacs

Particulars	Year ended	India	Belgium	Japan	Korea	Peru	Total
Revenue from sale of products	31 March 2017	4,862.69	217.11	499.51	54.90	49.24	5,683.46
	31 March 2016	5,504.21	88.32	134.24	Nil	Nil	5,726.78
Non-current assets	31 March 2017	2,507.79	Nil	Nil	Nil	Nil	2,507.79
	31 March 2016	2,538.01	Nil	Nil	Nil	Nil	2,538.01

Revenue from two major customers amounted to Rs.2,200.10 Lacs aggregating to 39% of total revenue during the year ended 31 March 2017 (Rs. 2,107.26 Lacs aggregating to 37% during the year ended 31 March 2016).

40. Disclosures pursuant to Ind AS 19 - "Employee benefits"

General description of defined benefit plan:

Gratuity plan: The Company has a gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act or as per the Company's plan, whichever is more beneficial.

The following tables set out the disclosures in respect of the gratuity plan as required under Ind AS 19.

(A) Reconciliation of benefit obligations for gratuity for the year:

Amounts in Lacs

Particulars	As at 31 March 2017	As at 31 March 2016
Opening defined benefit obligation	39.46	31.02
Current service cost	14.53	11.29
Interest cost	3.15	2.48
Actuarial (gains) / losses	2.91	(4.40)
Benefits paid	(5.51)	(0.92)
Closing defined benefit obligation	**54.56**	**39.46**

(B) Actuarial gain / (loss) recognized are as follows:

Amounts in Lacs

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Actuarial gain / (loss) for the year – obligation	(2.91)	4.40
Actuarial gain / (loss) recognized in the year	(2.91)	4.40
Unrecognized actuarial gains / (losses) at the end of the year	Nil	Nil

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(C) The amounts recognized in the Balance Sheet are as follows:

Amounts in Lacs

Particulars	As at 31st March 2017	As at 31st March 2016
Present value of obligation as at the end of the year	54.56	39.46
Fair value of plan assets as at the end of the year	Nil	Nil
Funded / (unfunded) status	Nil	Nil
Unrecognised actuarial (gains) / losses at the end of the year	Nil	Nil
Net assets / (liability) recognised in Balance Sheet	(54.56)	(39.46)

(D) The amounts recognized in the Statement of Profit and Loss are as follows:

Amounts in Lacs

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Current service cost	14.53	11.29
Past service cost	Nil	Nil
Interest cost	3.15	2.48
Expected return on plan assets	Nil	Nil
Total amount recognized in statement of Profit and loss	17.69	13.78
Actuarial (gain) / loss recognized in the year	2.91	(4.40)
Total amount recognized in Other Comprehensive Income	2.91	(4.40)

(E) Principal actuarial assumptions in respect of provision for gratuity are as under:

Economic assumptions	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Discount rate	7.35%	8.00%	7.90%
Expected rate of salary increase	6.00%	6.00%	6.00%
Expected rate of return on plan assets	Nil	Nil	Nil

Demographic assumptions	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Retirement age	58 years	58 years	58 years
Mortality table	IALM (2006-08) ultimate	IAL (2006-08) ultimate	IAL (2006-08) ultimate
Withdrawal rates	5%	5%	5%

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(F) History of defined benefit obligations and experience gains and (losses):-

Amounts in Lacs

Particulars	Year ended 31 March 17	Year ended 31 March 16	Year ended 31 March 15	Year ended 31 March 14	Year ended 31 March 13
Present value of obligation as at the end of the year	54.56	39.43	31.02	19.81	20.52
Fair value of plan assets as at the end of the year	-	-	-	-	-
Deficit	(54.56)	(39.43)	(31.02)	(19.81)	(20.52)
Experience adjustment gain /(loss) for plan liability	2.91	4.40	(3.39)	(7.80)	-
Experience adjustment loss/ (gain) for plan assets	-	-	-	-	-

(G) The quantitative sensitivity analysis on net liability recognized on account of change in significant assumptions:

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Discount Rate			
0.50% Increase	(3.08)	(2.36)	(1.47)
0.50% decrease	3.38	2.59	1.62
Future Salary increase			
0.50% Increase	3.41	2.63	1.66
0.50% decrease	(3.14)	(2.42)	(1.52)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant.

(H) Maturity profile of defined benefit obligation:

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Within 1 year	1.87	1.64	1.16
1-5 year	7.22	5.71	4.25
Beyond 5 years	45.47	32.10	25.59

41. The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondences with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Based on the information available with the management there are no amounts payable to micro and small enterprises as at 31 March 2017.

42. **Deferred taxes**
The Company has significant accumulated brought forward losses from earlier years and the management is of the view that it is not probable to realise the deferred tax assets in the near future. Accordingly, in the absence of probability of future profits, the deferred tax assets have been recognized only to the extent of deferred tax liability.

(a) The components of net deferred tax assets are as follows:-

Amount in Lacs

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Deferred tax liabilities (a)			
Accelerated depreciation	283.67	273.13	257.97
Derivatives instruments not designated as hedges	0.74	0.25	0.06
Total	**284.41**	**273.39**	**258.03**
Deferred tax assets			
Provision for leave encashment	5.19	3.93	2.48
Provision for gratuity	16.86	12.19	9.58
Provision for doubtful debts and advances	9.93	7.61	2.86
Provision for bonus	1.85	Nil	Nil
Brought forward losses and unabsorbed depreciation	647.72	638.75	693.83
Deferred government grant	10.76	11.89	13.02
Total	**692.33**	**674.39**	**721.79**
Deferred tax assets restricted to deferred tax liabilities (b)	284.41	273.39	258.03
Net deferred tax assets [(a)-(b)]	**Nil**	**Nil**	**Nil**

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(b) Unrecognised deferred tax assets:

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profits will be available against which the company can use the benefits therefrom:

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Tax losses including unabsorbed depreciation	407.91	401.00	463.76

The tax losses will expire in 2019-2022 and unabsorbed depreciation has no expiry.

43. Financial Risk Management

The principal financial assets of the Company include loans, trade and other receivables, and cash and bank balances that derive directly from its operations. The principal financial liabilities of the company, other than derivatives include loans and borrowings, trade and other payables and the main purpose of these financial liabilities is to finance the day to day operations of the company.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks that advises on financial risks and the appropriate financial risk governance framework for the Company.

This note explains the risks which the company is exposed to and policies and framework adopted by the company to manage these risks:

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and investment risk.

(i) Foreign currency risk

The company operates internationally and business is transacted in several currencies. Further the company also imports certain assets and material from outside India. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently the company is exposed to foreign currency risk and the results of the company may be affected as the rupee appreciates/ depreciates against foreign currencies. Foreign exchange risk arises from the future probable transactions and recognized assets and liabilities denominated in a currency other than company's functional currency.

The company measures the risk through a forecast of highly probable foreign currency cash flows and manages its foreign currency risk by hedging the transactions that are expected to occur within a period of twelve months. The Company uses foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The Company's exposure to foreign currency risk was based on the following amounts as at the reporting dates:

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Particulars	**As at 31st March 2017**	**As at 31st March 2016**
Trade receivables		
-In USD	0.31	0. 47
-Foreign exchange forward contracts sell foreign currency in USD#	(0.69)	(1.40)
Net exposure to foreign currency risk (assets)	Nil	Nil
Trade Payables		
-In USD	0.07	0.09
-In JPY	0.39	0.48
Net exposure to foreign currency risk (liabilities)		
-In USD	0.07	0.09
-In JPY	0.39	0.48

Excess forwards are taken by the company on the basis of past performances.

The following significant exchange rates applied during the year:

Particulars	2016-17 (Average exchange rate)	2015-16 (Average exchange rate)	2016-17 (Year end rates)	2015-16 (Year end rates)
INR/USD	65.58	64.46	64.84	66.33
INR/JPY	0.59	0.56	0.58	0.59

Foreign currency sensitivity analysis

Any changes in the exchange rate of JPY and USD against INR is not expected to have significant impact on the Company's profit due to the less exposure of these currencies. Accordingly, a 10% appreciation/depreciation of the INR as indicated below, against the JPY and USD would have increased/reduced profit by the amounts shown below. This analysis is based on the foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variable remains constant:

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Particulars	**As at 31 March 2017**	**As at 31 March 2016**
10% (Strengthening)/ weakening of USD against INR	(0.47)/ 0.47	(0.61)/ 0.61
10% (Strengthening)/ weakening of JPY against INR	(0.02)/ 0.02	(0.02)/ 0.02

The following table gives details in respect of outstanding foreign currency forward held by the company to mitigate the risk of changes in exchange rates on foreign currency exposures.

Particulars	**As at 31 March 2017**	**As at 31 March 2016**
Contracts against export		
-In USD	0.69	1.40
Contracts against Import		
-In USD	Nil	Nil

(ii) Investment Risk

The company has not made any investment hence it is not exposed to investment risk.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

As the Company has no significant interest-bearing assets, the income and operating cash flows are substantially independent of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates, which are included in interest bearing loans and borrowings in these financial statements. The company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

At the reporting date the interest rate profile of the Company's interest bearing financial instrument is at its fair value:

Particulars	Carrying Amount		
Variable rate instruments	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
Long term borrowings	1,210.13	1,704.00	1,804.00
Current maturities of long term debt	492.00	100.00	100.00
Short term borrowings	1,630.81	1,575.02	1,163.71

Particulars	Carrying Amount		
Fixed rate instruments	**As at 31 March 2017**	**As at 31 March 2016**	**As at 1 April 2015**
Liability component of 10% non cumulative preference shares term borrowings	551.95	501.78	456.05

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. A change of 100 basis points in interest rates for variable rate instruments at the reporting date would have increased/(decreased) profit or loss for the below years by the amounts shown below. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Particulars	31 March 2017	31 March 2016	1 April 2015
Increase/ (decrease) in 100 basis point	33.32	33.79	30.67

b) Liquidity Risk

The financial liabilities of the company, other than derivatives, include loans and borrowings, trade and other payables. The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company monitors its risk of shortage of funds to meet the financial liabilities using a liquidity planning tool.

The below is the detail of contractual maturities of the financial liabilities of the company at the end of each reporting period:

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Particulars	**As at 31st March 2017**	**As at 31st March 2016**	**As at 1 April 2015**
Long Term Borrowings including current maturity of long term debts (Carrying amount)	2,254.09	2,305.78	2,360.05
Contractual cash flows of long term borrowings	3,008.25	3,295.79	3,606.34
0-3 months	167.16	72.97	78.40
3-12 months	482.33	214.57	232.13
1-2 years	597.10	649.50	287.54
2-5 years	761.64	1,358.75	2,008.25
More than 5 years	1,000.00	1,000.00	1,000.00
Short Term Borrowings (Carrying amount)	1,630.81	1,575.02	1,163.71
Contractual cash flows of short term borrowings	1,630.81	1,575.02	1,163.71
0-3 months	1,630.81	1,575.02	1,163.71
3-12 months	-	-	-
1-2 years	-	-	-
2-5 years	-	-	-
More than 5 years	-	-	-
Trade Payables (Carrying amount)	557.04	812.34	838.97
Contractual cash flows of trade payables	557.04	812.34	838.97
0-3 months	557.04	812.34	838.97
3-12 months	-	-	-
1-2 years	-	-	-

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2-5 years	-	-	-
More than 5 years	-	-	-
Other Financial liabilities (Carrying amount)	191.85	159.75	131.47
Contractual cash flows of other financial liabilities	191.85	159.75	131.47
0-3 months	191.85	159.75	131.47
3-12 months	-	-	-
1-2 years	-	-	-
2-5 years	-	-	-
More than 5 years	-	-	-

c) Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables which are typically unsecured. Credit risk on cash and cash equivalents, other bank balances is limited as the company generally invests in deposits with banks and financial institutions with high credit ratings assigned by credit rating agencies. The Company's credit risk in case of all other financial instruments is negligible.

The company also assesses the creditworthiness of the customers internally to whom goods are sold on credit terms in the normal course of business. The credit limit of each customer is defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other means of credit insurance.

The impairment analysis is performed on client to client basis for the debtors that are past due at the end of each reporting date. The company has not considered an allowance for doubtful debts in case of Trade receivables that are past due but there has not been a significant change in the credit quality and the amounts are still considered recoverable. On account of adoption of IND AS 109, the company uses expected credit loss model to assess the impairment loss or gain. The company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors such as credit ratings from external credit rating agencies and company's historical experience for customers.

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The following table gives the detail of revenues generated from top five customers of the company:

Particulars	As at 31 March 2017	As at 31 March 2016
(a)Revenue from top five customers		
- Amount of sales	3,652.55	3,441.22
-% of total sales	62.82	59.41

Credit Risk Exposure

The allowance for lifetime expected credit loss on customer balance for the year ended 31 March 2017 was Rs. 750,000 and for the year ended 31 March 2016 was Rs.1,183,822.

Particulars	As at 31 March 2017	As at 31 March 2016
(b)Allowance for doubtful debt		
-Balance at the beginning of the period	21.09	9.25
-Impairment loss recognized	7.50	11.83
-Amount written off	Nil	Nil
-Balance at the end of the period	28.59	21.09

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as disclosed at Note 8.

d) Capital Management

The capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the company. The primary objective of the company's capital management is to maintain optimum capital structure to reduce cost of capital and to maximize the shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions In order to maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's gearing ratio was as follows:

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Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Borrowings	3,884.90	3,880.80	3,523.76
Less: Cash and cash equivalents	(0.11)	(2.20)	(0.73)
Net debt	3,884.78	3,878.60	3,523.03
Total equity	533.98	587.86	434.50
Capital and Net debt	4,418.87	4,466.46	3,957.53
Gearing ratio	88%	87%	89%

Further, there have been no such breaches in the financial covenants of any interest-bearing loans and borrowings in the current period which would have permitted the bank to immediately call loans and borrowings.

There were no changes in the objectives, policies or processes for managing capital during the year ended 31 March 2017, 31 March 2016 and 1 April 2015.

44. During the year, following prior period expenses have been corrected by restating the figures of the previous year ended 31 March 2016:

Financial statement caption	Amount before the correction of prior period error for the year ended 31 March 16	Prior period errors identified during the current year ended 31 March 2017	Amount after the correction of prior period error for the year ended 31 March 2016
Cost of material consumed	3,540.60	2.88	3,543.48
Freight, clearing and forwarding	75.65	0.99	76.65
Miscellaneous expenses	46.18	2.65	48.84
Power and fuel	93.24	2.37	95.62
Trade payables	803.43	8.91	812.34

Prior period expenses identified in year 2015-16 pertaining to year 2014-15 amounting to Rs.7.37 Lacs have been corrected by making an adjustment in the opening equity of opening balance sheet of 1 April 2015 by corresponding adjustment in trade payable.

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(Amounts in Lacs)

45 **Disclosures of Financial Instruments**

(a) The carrying value and fair value of financial instruments by categories at the end of each reporting period is as follows:

As at 31 March 2017

Particulars	Amortized cost	Financial assets/liabilities at fair value through profit or loss		Financial assets/liabilities at fair value through OCI		Total carrying value	Total Fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Financial assets:							
Long term loans	0.72	-	-	-	-	0.72	0.72
Other financial non-current assets	8.22	-	-	-	-	8.22	8.22
Trade receivables	1,374.30	-	-	-	-	1,374.30	1,374.30
Other bank balances	12.06	-	-	-	-	12.06	12.06
Cash and cash equivalents	0.12	-	-	-	-	0.12	0.12
Short term loans	0.48	-	-	-	-	0.48	0.48
Other financial current assets	0.69	-	2.41	-	-	3.09	3.09
Total	1,396.58	-	2.41	- .00	- .00	1,398.99	1,398.99
Financial liabilities:							
Long term borrowings	1,762	-	-	-	-	1,762	1,762
Short term borrowings	1,631	-	-	-	-	1,631	1,631
Trade Payables	557	-	-	-	-	557	557
Other financial current liabilities	684	-	-	-	-	684	684
Total	4,634	-	-	-	-	4,634	4,634

As at 31 March 2016

Particulars	Amortized cost	At fair value through profit or loss		At fair value through OCI		Total carrying value	Total Fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Financial assets:							
Long term loans	1.13	-	-	-	-	1.13	1.13
Other financial non-current assets	3.89	-	-	-	-	3.89	3.89
Trade receivables	1,614.15	-	-	-	-	1,614.15	1,614.15

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Notes to the financial statements for the year ended 31 March 2017
(Amounts in Lacs)

Other bank balances	-	-	-	-	-	-	-
Cash and cash equivalents	2.20	-	-	-	-	2.20	2.20
Short term loans	0.75	-	-	-	-	0.75	0.75
Other financial current assets	0.27	-	0.83	-	-	1.10	1.10
Total	1,621	-	1	-	-	1,622	1,622
Financial liabilities:							
Long term borrowings	2,205.78	-	-	-	-	2,205.78	2,205.78
Short term borrowings	1,575.02	-	-	-	-	1,575.02	1,575.02
Trade Payables	812.35	-	-	-	-	812.35	812.35
Other financial current liabilities	259.75	-	-	-	-	259.75	259.75
Total	4,852.91	-	-	-	-	4,852.91	4,852.91

As at 1 April 2015

Particulars	Amortized cost	At fair value through profit or loss		At fair value through OCI		Total carrying value	Total Fair value
		Designated upon initial recognition	Mandatory	Equity instruments designated upon initial recognition	Mandatory		
Financial assets:							
Long term loans	2.30	-	-	-	-	2.30	2.30
Other financial non-current assets	2.72	-	-	-	-	2.72	2.72
Trade receivables	1,431.28	-	-	-	-	1,431.28	1,431.28
Other bank balances	0.25	-	-	-	-	0.25	0.25
Cash and cash equivalents	0.73	-	-	-	-	0.73	0.73
Short term loans	0.63	-	-	-	-	0.63	0.63
Other financial current assets	0.42	-	0.19	-	-	0.62	0.62
Total	1,438.34	-	0.19	-	-	1,438.54	1,438.54
Financial liabilities:							
Long term borrowings	2,260.05	-	-	-	-	2,260.05	2,260.05
Short term borrowings	1,163.72	-	-	-	-	1,163.72	1,163.72
Trade Payables	838.98	-	-	-	-	838.98	838.98
Other financial current liabilities	231.47	-	-	-	-	231.47	231.47
Total	4,494.22	-	-	-	-	4,494.22	4,494.22

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BSR & Co. LLP Chartered Accountants ★

(Amounts in Lacs)

(b) Basis of Fair value of Financial assets and liabilities

(i) Fair Value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(ii) The following table presents fair value hierarchy of assets and liabilities measured at fair values

As at 31 March 2017

Particulars	Fair value	Fair value measurement at the end of reporting period/year using		
	As at 31 March 2016	Level 1	Level 2	Level 3
Other financial current assets				
-Derivative financial instruments			2.41	

As at 31 March 2016

Particulars	Fair value	Fair value measurement at the end of reporting period/year using		
	As at 31st March 2016	Level 1	Level 2	Level 3
Other financial current assets				
-Derivative financial instruments			0.83	

As at 1 April 2015

Particulars	Fair value	Fair value measurement at the end of reporting period/year using		
	as at 1 April 2015	Level 1	Level 2	Level 3
Other financial current assets				
-Derivative financial instruments			0.19	

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Vardhman Nisshinbo Garments Company Limited LUDHIANA

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Notes to Accounts for the year ended 31 March 2017

46. **Disclosure on Specified Bank Notes (SBNs)**

During the year, the Company had specified bank notes or other denomination note as defined in the MCA notification G.S.R. 308(E) dated 31 March 2017 on the details of Specified Bank Notes (SBN) held and transacted during the period from 8 November 2016 to 30 December 2016, the denomination wise SBNs and other notes as per the notification is given below:

Amounts in Lacs

Particulars	**SBNs***	**Other denomination notes**	**Total**
Closing cash in hand as on 8 November 2016	-	1.21	1.21
(+) Permitted receipts	-	4.13	4.13
(-) Permitted payments	-	5.31	5.31
(-) Amount deposited in Bank	-	-	-
Closing cash in hand as on 30 December 2016	-	0.03	0.03

*For the purpose of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E) dated 8 November 2016.

As per our report of even date attached

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No.: 101248W / W-100022

Pravin Tulsyan
Partner
Membership No.: 108044

Place : Gurgaon

Date : 2 May 2017

For and on behalf of the Board of
Vardhman Nisshinbo Garments Company Limited

Neeraj Jain
Director
DIN: 00340459

D. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

Karan Walia
Company Secretary

Place : Ludhiana

Date : 2 May 2017