

Vardhman Nisshinbo Garments Company Limited  
Balance Sheet as at 31 March 2018

(Amount in lakhs)

Particulars	Note No.	As at 31 March 2018	As at 31 March 2017
<b>ASSETS</b>			
<b>A Non-current assets</b>			
(a) Property, plant and equipment	3 (a)	2,388.45	2,469.33
(b) Intangible assets	3 (b)	6.00	9.27
(c) Capital Work in Process		0.53	
(d) Financial assets			
-Loans	4	0.66	0.72
-Others financial assets	5	8.37	8.22
(e) Other non-current assets	6	3.85	4.35
<b>Total non-current assets</b>		<b>2,407.85</b>	<b>2,491.90</b>
<b>B Current assets</b>			
(a) Inventories	7	1,025.06	870.98
(b) Financial assets			
-Trade receivables	8	1,488.70	1,374.30
-Cash and cash equivalents	9	0.39	0.12
-Other Bank balances	10		12.06
-Loans	11	0.44	0.48
-Other financial assets	12	0.17	3.09
(c) Current tax assets (Net)		20.75	24.84
(d) Other current assets	13	703.48	536.73
<b>Total current assets</b>		<b>3,238.99</b>	<b>2,822.59</b>
<b>TOTAL ASSETS</b>		<b>5,646.84</b>	<b>5,314.50</b>
<b>EQUITY AND LIABILITIES</b>			
<b>A Equity</b>			
(a) Equity share capital	14	1,400.00	1,400.00
(b) Other equity	15	832.01	866.01
<b>Total equity</b>		<b>567.99</b>	<b>533.99</b>
<b>B Liabilities</b>			
<b>Non-current liabilities</b>			
(a) Financial Liabilities			
-Borrowings	16	1,327.15	1,762.09
(b) Provisions	17	70.96	67.75
(c) Deferred Government grant	18	27.54	31.20
<b>Total Non-current liabilities</b>		<b>1,425.66</b>	<b>1,861.04</b>
<b>Current liabilities</b>			
(a) Financial Liabilities			
-Borrowings	19	2,000.19	1,630.81
-Trade payables	20	903.53	557.04
-Other financial liabilities	21	703.02	683.86
(b) Other current liabilities	22	38.89	40.49
(c) Deferred Government grant	18	3.65	3.65
(d) Provisions	23	3.92	3.61
<b>Total Current liabilities</b>		<b>3,653.20</b>	<b>2,919.47</b>
<b>Total liabilities</b>		<b>5,078.86</b>	<b>4,780.51</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,646.84</b>	<b>5,314.50</b>

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

As per our report of even date attached  
For SCV & Co.  
Chartered Accountants  
Firm Reg No. 000235N

(Sanjiv Mohan)  
Partner  
Membership No.



Place: Ludhiana  
Date: 30 April 2018

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

*Neeraj Jain*  
Neeraj Jain  
Director  
DIN: 00340459

*Anil Sood*  
Anil Sood  
Chief Financial Officer

*D. L. Sharma*  
D. L. Sharma  
Chairman  
DIN: 0027581

*Sunjay Gupta*  
Sunjay Gupta  
Company Secretary


Place: Ludhiana  
Date: 30 April 2018

**Vardhman Nisshinbo Garments Company Limited**  
**Statement of Profit and Loss for the year ended 31 March 2018**

Particulars	Note No	(Amount in lakhs)	
		For the year ended 31 March 2018	For the year ended 31 March 2017
<b>Income</b>			
Revenue from operations	24	5,980.71	5,818.07
Other income	25	17.51	15.09
<b>I. Total income</b>		<b>5,998.22</b>	<b>5,833.16</b>
<b>Expenses</b>			
Cost of materials consumed	26	3,750.68	3,299.36
Changes in inventories of finished goods and work-in-progress	27	(239.79)	32.06
Excise duty		26.99	166.96
Employee benefits expense	28	1,218.86	1,040.75
Finance cost	29	278.44	287.10
Depreciation and amortisation expense	30	178.99	167.23
Other expenses	31	756.75	890.66
<b>II. Total expenses</b>		<b>5,970.92</b>	<b>5,884.12</b>
<b>III. (Loss)/ profit before tax for the year (I-II)</b>		<b>27.31</b>	<b>(50.96)</b>
<b>IV. Tax expense:</b>			
(1) Current tax		4.39	
(2) Deferred tax			
<b>V. Profit for the year (III-IV)</b>		<b>22.92</b>	<b>(50.96)</b>
<b>VI. Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefits plans (net of taxes)		11.09	(2.92)
<b>VII. Total comprehensive income for the year (V+VI)</b>		<b>34.00</b>	<b>(53.88)</b>
<b>Earnings per equity share (Rs.) (par value of Rs. 10)</b>	32		
Basic		0.16	(0.36)
Diluted		0.16	(0.36)

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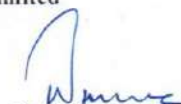
  
 (Saniv Mohan)  
 Partner  
 Membership No. 086066



Place: Ludhiana  
 Date: 30 April 2018

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

  
 Sanjay Gupta  
 Company Secretary

Place: Ludhiana  
 Date: 30 April 2018

Vardhman Nisshinbo Garments Company Limited  
Statement of changes in equity for the year ended 31 March 2018

(Amount in lakhs)

Particulars	Equity share capital	Other equity			Total
		Equity component of compound financial instruments (10% non cumulative convertible preference shares)	Retained earnings	Other comprehensive income	
Balance as at 1 April 2016	1400.00	614.46	(1430.89)	4.29	587.86
Profit for the period			(50.96)		(50.96)
Other comprehensive Income for the period				(2.92)	(2.92)
<b>Balance as at 31 March 2017</b>	<b>1400.00</b>	<b>614.46</b>	<b>(1481.85)</b>	<b>1.38</b>	<b>533.99</b>

Particulars	Equity share capital	Other Equity			Total
		Equity component of compound financial instruments (10% non cumulative convertible preference shares)	Retained earnings	Other comprehensive income	
Balance as at 1 April 2017	1400.00	614.46	(1481.85)	1.38	533.99
Profit for the period			22.92		22.92
Other comprehensive Income for the period				11.09	11.09
<b>Balance as at 31 March 2018</b>	<b>1400.00</b>	<b>614.46</b>	<b>(1458.93)</b>	<b>12.46</b>	<b>567.99</b>

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

As per our report of even date attached  
For SCV & Co.  
Chartered Accountants  
Firm Reg No. 000235N



*(Signature)*  
(Saniv Mohan)  
Partner  
Membership No. 086066

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

*(Signature)*  
Neeraj Jain  
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DIN: 00340459

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Chief Financial Officer

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Sanjay Gupta  
Company Secretary

Place: Ludhiana  
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Vardhman Nisshinbo Garments Company Limited  
Cash Flow Statement for the year ended 31 March 2018

	(Amount in lakhs)	
	Year ended 31 March 2018	Year ended 31 March 2017
<b>A Cash flow from operating activities</b>		
Net profit before tax	22.92	(50.96)
<b>Adjustments for:</b>		
Amortisation of deferred government grants	(3.65)	(3.65)
Liabilities / provisions no longer required written back	(5.52)	(7.12)
Interest income	(0.01)	(0.71)
Finance cost	266.47	277.93
Depreciation and amortisation expense	178.99	167.23
Bad debts	13.39	
Provision for doubtful debts	(13.39)	7.50
Loss on sale of Property Plant and Equipments (net)		0.00
Property Plant and Equipments written off		0.21
Excise duty on closing stock		(0.52)
Unrealized foreign exchange loss (net)	(3.74)	0.60
Operating profit before working capital changes	<u>455.46</u>	<u>390.51</u>
<b>Adjustments for:</b>		
(Increase) / decrease in other financial assets	2.23	(6.56)
(Increase) / decrease in other non current assets	0.51	(4.29)
Decrease / (increase) in inventories	(154.09)	127.63
Decrease / (increase) in trade receivables	(110.65)	232.00
(Increase) in other current assets	(166.74)	(118.43)
Increase in other financial liabilities	21.34	36.36
Increase in provisions	14.60	15.85
(Decrease) in trade payables	351.99	(248.34)
Increase / (decrease) in other current liabilities	(1.60)	(5.25)
Cash generated from operations	<u>413.04</u>	<u>419.46</u>
Income tax paid / tax deducted at source (net of refund and interest on refund)	4.08	(22.95)
<b>Net cash generated from operating activities</b>	<u>417.13</u>	<u>396.51</u>
<b>B Cash flows from investing activities</b>		
Payment made for Purchase of Property Plant and Equipments (including capital advances)	(95.22)	(110.06)
Sale of Property Plant and Equipments		
Bank deposits (having original maturity of more than three months)	12.06	(10.55)
Interest received	0.66	0.11
<b>Net cash used in investing activities</b>	<u>(82.50)</u>	<u>(120.50)</u>
<b>C Cash flows from financing activities (refer note 46)</b>		
Proceeds from Inter-corporate deposits	250.00	200.00
Payment made for repayment of Inter-corporate deposits	(250.00)	(200.00)
Proceeds from cash credit account	369.37	55.79
Term loan repaid	(490.13)	(101.87)
Interest paid	(213.60)	(232.01)
<b>Net cash (used in) / generated from financing activities</b>	<u>(334.36)</u>	<u>(278.09)</u>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<u>0.27</u>	<u>(2.08)</u>
Cash and cash equivalents at the beginning of the year*	0.12	2.20
Cash and cash equivalents at the end of the year*	<u>0.39</u>	<u>0.12</u>

As per our report of even date attached

For SCV & Co.  
Chartered Accountants  
Firm Reg No. 000235N


  
(Saniv Mohan)  
Partner  
Membership No. 086066



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

  
Neeraj Jain  
Director  
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Sanjay Gupta  
Company Secretary

Place: Ludhiana  
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**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

**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 Vardhman Textiles Limited, 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).

**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) under historical cost convention on accrual basis except for certain financial instruments which are measured at fair value, the relevant provisions of the Companies Act 2013. The Ind AS are prescribed under section 133 of the Act, read with Rule 3 of the Companies (Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Amounts for the year ended and as at March 31, 2017 were audited by previous auditors - B S R & Co LLP.

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.

**(b) Functional and Presentation currency**

The financial statements are prepared in INR, which is the Company's functional currency.

**(c) Going concern assumption**

The accumulated losses of the Company as at 31 March 2018 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.

**(d) 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(e).



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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.

**(e) 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.

*Recoverable amount 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.

*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.

**(f) Fair value measurement**

The Company certain financial instruments at the fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability. Or

(ii) In the absence of a principal market, in the most advantageous market for the assets or liability.

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



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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.

**(g) 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.

In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the previous year ended 31 March 2017 and for the period 1 April to 30 June 2017 are reported gross of Excise Duty and net of VAT/CST. Further, Excise Duty is reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/CST, Excise Duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales.

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.



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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.

**(h) Leases**

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease under which the risks and rewards incidental to ownership are not transferred to lessee is classified as operating lease. Lease payments under operating leases are recognized as an expense on a straight line basis in net profit in the statement of profit and loss over the lease term.

**(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





**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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.

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 a 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**

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 retirement of the asset and the resultant gains or losses are recognized in the statement of



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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:

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 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.



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

**(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.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.



**(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 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. 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.

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.

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.



Subsequent Recognition

*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 value 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.



*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 have been 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. 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*



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

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:



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**

*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.





**Yardhman Nishinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
(Amount in lakhs)

**3a. Property, plant and equipment**  
As at 31 March 2018

Description	Gross block			Accumulated Depreciation			Net Block		
	As at 1 April 2017	Additions	Adjustments / Sale	As at 31 March 2018	As at 1 April 2017	For the year	Adjustments / Sale	As at 31 March 2018	As at 31 March 2018
Freehold land	163.81	24.46		188.27	71.16	36.01		107.17	188.27
Buildings	1,130.48			1,130.48	224.92	117.47		342.39	1,023.31
Plant and equipment	1,423.83	25.11		1,448.93	10.55	10.00		20.56	1,106.55
Furniture and fixtures	44.07	8.00		52.07	0.96	0.52		1.48	31.52
Vehicles	1.87	8.99		10.86	10.78	9.18		19.97	9.38
Office equipment	23.25	22.11		45.36	2.24	2.53		4.77	25.30
Computer equipment	2.64	6.17		8.81					4.04
<b>Total</b>	<b>2,789.95</b>	<b>94.84</b>	<b>0.23</b>	<b>2,884.79</b>	<b>320.61</b>	<b>175.72</b>	<b>0.02</b>	<b>496.34</b>	<b>2,388.45</b>

As at 31 March 2017

Description	Gross block			Accumulated Depreciation			Net Block		
	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	35.38	35.79		71.16	163.81
Buildings	1,128.17	2.31		1,130.48	110.59	114.34	0.02	224.92	1,059.32
Plant and equipment	1,372.91	51.15	0.23	1,423.83	4.62	5.93		10.55	1,198.91
Furniture and fixtures	40.61	3.46		44.07	0.48	0.48		0.96	33.51
Vehicles	1.87			1.87	6.86	3.93		10.78	0.91
Office equipment	14.43	8.82		23.25	0.64	1.60		2.24	12.46
Computer equipment	2.64			2.64					0.40
<b>Total</b>	<b>2,680.19</b>	<b>109.98</b>	<b>0.23</b>	<b>2,789.95</b>	<b>158.56</b>	<b>162.07</b>	<b>0.02</b>	<b>320.61</b>	<b>2,469.33</b>

**3b. Intangible assets**  
As at 31 March 2018

Description	Gross block			Accumulated Amortisation			Net Block		
	As at 1 April 2017	Additions	Adjustments / Sale	As at 31 March 2018	As at 1 April 2017	For the year	Adjustments / Sale	As at 31 March 2018	As at 31 March 2018
Computer software	22.38			22.38	13.11	3.27		16.38	6.00
<b>Total</b>	<b>22.38</b>			<b>22.38</b>	<b>13.11</b>	<b>3.27</b>		<b>16.38</b>	<b>6.00</b>

As at 31 March 2017

Description	Gross block			Accumulated Amortisation			Net Block		
	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	22.38			22.38	7.94	5.16		13.11	9.27
<b>Total</b>	<b>22.38</b>			<b>22.38</b>	<b>7.94</b>	<b>5.16</b>		<b>13.11</b>	<b>9.27</b>



The company has availed the exemption available under Ind AS 101, whereas the carrying value of Property, plant and equipment has been carried forwarded at the amount as determined under the previous GAAP netting of Ind AS adjustment such as government grants and processing fee etc. Considering the FAQ issued by the ICAI regarding application of deemed cost, the company has disclosed the cost as at 1st April 2015 net of accumulated depreciation. However, information regarding gross block of assets, accumulated depreciation has been disclosed by the company separately as follows

(Amount in lakhs)

**Property, plant and equipment**

Description	Gross Carrying Value as on 1st April 2015	Accumulated Depreciation as on 1st April 2015	Net Carrying Value as on 1st April 2015
Freehold land	119.57		119.57
Buildings	1,278.94	152.10	1,126.84
Plant and equipment	1,640.55	324.76	1,315.79
Furniture and fixtures	77.82	43.88	33.94
Vehicles	3.49	1.63	1.86
Office equipment	16.72	4.26	12.46
Computer equipment	10.93	9.62	1.31
	<b>3,148.02</b>	<b>536.25</b>	<b>2,611.77</b>

**Intangible assets**

Description	Gross Carrying Value as on 1st April 2015	Accumulated Depreciation as on 1st April 2015	Net Carrying Value as on 1st April 2015
Computer software	26.88	18.33	8.55
	<b>26.88</b>	<b>18.33</b>	<b>8.55</b>

Had the company not disclosed the cost (Gross block) as at 1st April 2015 net of accumulated depreciation, the status of the Gross block, Accumulated Depreciation and Net block of the Property, plant and equipment and intangible assets as on 31st March 2018 would have been as under

(Amount in lakhs)

**Property, plant and equipment**

Description	Gross Carrying Value as on 31st March 2018	Accumulated Depreciation as on 31st March 2018	Net Carrying Value as on 31st March 2018
Freehold land	188.27		188.27
Buildings	1,282.58	259.28	1,023.31
Plant and equipment	1,764.01	657.46	1,106.55
Furniture and fixtures	87.10	55.58	31.52
Vehicles	12.49	3.11	9.38
Office equipment	49.51	24.12	25.39
Computer equipment	18.43	14.39	4.04
	<b>3,402.39</b>	<b>1,013.94</b>	<b>2,388.45</b>

**Intangible assets**

Description	Gross Carrying Value as on 31st March 2018	Accumulated Depreciation as on 31st March 2018	Net Carrying Value as on 31st March 2018
Computer software	40.71	34.71	6.00
	<b>40.71</b>	<b>34.71</b>	<b>6.00</b>



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

**4 Loans (Non current)**

*(Unsecured considered good, unless otherwise stated)*

	As at 31 March 2018	As at 31 March 2017
<b>Financial assets at amortized cost</b>		
<b>Other loans</b>		
-Loans to employees	1.09	1.20
Less : Current maturities of loan to employees classified as short term loans (refer note 11)	-0.44	-0.48
	<u>0.66</u>	<u>0.72</u>

**5 Other financial assets (Non current)**

	As at 31 March 2018	As at 31 March 2017
Security deposits	8.37	8.22
	<u>8.37</u>	<u>8.22</u>

**6 Other non-current assets**

	As at 31 March 2018	As at 31 March 2017
Prepaid expenses	3.84	4.32
Deferred employee benefit expense	0.01	0.03
	<u>3.85</u>	<u>4.35</u>

**7 Inventories**

*(at cost or net realizable value, whichever is lower)*

	As at 31 March 2018	As at 31 March 2017
Raw materials		
-fabric	95.82	115.53
-trims	126.58	141.19
Stores and spares	67.97	94.62
Work-in-progress - shirts	400.35	261.64
Finished goods - manufactured shirts	333.97	232.89
Raw material in transit	0.37	25.11
	<u>1,025.06</u>	<u>870.98</u>

**8 Trade receivables**

*(unsecured and considered good, unless otherwise stated)*

	As at 31 March 2018	As at 31 March 2017
Receivable from related parties		
Receivable from others		
-considered good	1,488.70	1,374.30
-considered doubtful	15.21	28.60
Less: Provision for doubtful debts	-15.21	-28.60
	<u>1,488.70</u>	<u>1,374.30</u>
	<u>1,488.70</u>	<u>1,374.30</u>

Refer note 41 in respect of the company's exposure to credit and currency risk related to trade receivables.



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

**9 Cash and cash equivalents**

	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
- cash in hand		
Balance with banks		
- current accounts		
	0.39	0.12
	<u>0.39</u>	<u>0.12</u>

**10 Other bank balances**

	As at 31 March 2018	As at 31 March 2017
- Bank deposits (due to mature within twelve months from the reporting date)		0.50
Margin money deposit#		11.56
		<u>12.06</u>

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

**11 Loans (Current)**

	As at 31 March 2018	As at 31 March 2017
<b>Financial assets at amortized cost</b>		
<b>Other loans</b>		
-Loans to employees	0.44	0.48
	<u>0.44</u>	<u>0.48</u>

**12 Other financial assets (Current)**

	As at 31 March 2018	As at 31 March 2017
<b>Financial assets at amortized cost</b>		
Interest accrued but not due:		
- fixed deposits with banks		0.65
Advances to employees	0.17	0.04
<b>Derivative Instruments at fair value through profit and loss</b>		
Derivative Instruments not designated as hedges		2.41
	<u>0.17</u>	<u>3.09</u>

**13 Other current assets**

*(Unsecured considered good, unless otherwise stated)*

	As at 31 March 2018	As at 31 March 2017
Prepaid expenses	7.50	5.02
Deferred employee benefit expense	0.04	0.03
Interest subsidy claim receivable (refer note 35)	466.66	404.47
Capital subsidy receivable (refer note 35)	53.42	53.42
Other recoverables	88.63	46.77
GST Recoverable	52.17	
Advances to suppliers and contractors		
Considered good	35.06	27.03
Considered doubtful	3.55	3.55
Less: Provision for doubtful advances	-3.55	-3.55
	<u>703.48</u>	<u>536.73</u>



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

**14 Equity Share capital**

	As at 31 March 2018	As at 31 March 2017
<i>Authorised</i>		
28,000,000 (previous year 28,000,000) equity shares of Rs. 10 each	2,800	2,800
	<u>2,800</u>	<u>2,800</u>
<i>Issued, subscribed and paid up equity shares</i>		
14,000,000 (previous year 14,000,000) equity shares of Rs. 10 each fully paid up	1,400	1,400
	<u>1,400</u>	<u>1,400</u>

**(a) Rights, preferences and restrictions attached to shares**

The Equity shares having a par value of Rs.10/- each. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

(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 2018		As at 31 March 2017	
	Number of shares	Amount	Number of shares	Amount
Vardhman Textiles Limited (Joint Venture Partner)				
Equity shares of Rs. 10 each fully paid up	7,140,000	714.00	7,140,000	714.00
	<u>7,140,000</u>	<u>714.00</u>	<u>7,140,000</u>	<u>714.00</u>

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

	As at 31 March 2018		As at 31 March 2017	
	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 (Joint Venture Partner)	71.40	51%	71.40	51%
Nisshinbo Textile Inc.	68.60	49%	68.60	49%
	<u>140.00</u>	<u>100%</u>	<u>140.00</u>	<u>100%</u>

(e) During the five years period ended 31 March 2018 and 31 March 2017, neither any bonus shares or shares issued for consideration other than cash that have been issued nor any shares that have been bought back.



	As at 31 March 2018	As at 31 March 2017
<b>Retained Earning</b>		
Balance at the beginning of the year	(1,481.85)	(1,430.89)
-Profit for the year	22.92	(50.96)
Balance at the end of the period	<u>(1,458.93)</u>	<u>(1,481.85)</u>
<b>Equity component of compound financial instruments #</b>		
Balance at the beginning of the year	614.46	614.46
-Transfer during the year		
Balance at the end of the period	<u>614.46</u>	<u>614.46</u>
	As at	As at
	31 March 2018	31 March 2017
<b>Other Comprehensive Income</b>		
Balance at the beginning of the year	1.38	4.29
-Other comprehensive Income for the year	11.09	(2.92)
Balance at the end of the period	<u>12.46</u>	<u>1.38</u>
<b>Total</b>	<u>(832.01)</u>	<u>(866.01)</u>

**# 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 2018	As at 31 March 2017
Face value of preference shares issue	1,000.00	1,000.00
Liability component of 10% non cumulative convertible preference shares (shown under borrowings (Non-Current) (refer note-16)	385.54	385.54
Equity component of convertible preference shares	<u>614.46</u>	<u>614.46</u>



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

**16 Borrowings (Non current) (refer note 46)**

	As at 31 March 2018	As at 31 March 2017
Term loans		
From banks	1,212.00	1,702.13
Less: Current maturities of long term borrowings (refer note 21)	492.00	492.00
	<u>720.00</u>	<u>1,210.13</u>
Liability component of 10% non cumulative convertible preference shares #	607.15	551.96
	<u><u>1,327.15</u></u>	<u><u>1,762.09</u></u>

# Liability component of 10% non cumulative convertible preference shares includes interest expense of Rs.221.61 lakhs recognised upto current year (including Rs.166.41 lakhs recognised upto year 2016-17). Interest expense is calculated by applying the effective interest rate of 10% to the liability component.

- (a) Term loan from bank is secured by first charge on entire Property, Plant and Equipments 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-2018 (in millions)	31-March-2017 (in millions)
2017-18	49.2	49.2
2018-19	49.2	49.2
2019-20	71.8	71.8

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.

**17 Provisions (non current)**

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Compensated absences	14.69	15.05
Gratuity (refer note 38)	56.27	52.70
	<u>70.96</u>	<u>67.75</u>

**18 Deferred government grant**

	As at 31 March 2018	As at 31 March 2017
Capital Subsidy*	31.20	34.85
	<u>31.20</u>	<u>34.85</u>
Non-current	27.54	31.20
Current	3.65	3.65

\* The company has recognised government grant as deferred which has been received for the Property, 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. There are no unfulfilled conditions or contingencies attached to this grant.



Vardhman Nisshinbo Garments Company Limited  
Notes to the financial statements for the year ended 31 March 2018  
(Amount in lakhs)

19 Borrowings (Current) (refer note 46)

	As at 31 March 2018	As at 31 March 2017
<b>Loan repayable on demand</b>		
-From banks (secured)	801.07	431.69
- From related parties-Vardhman Textiles Limited, the Joint Venture Partner (unsecured)	1,199.12	1,199.12
	<u>2,000.19</u>	<u>1,630.81</u>

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 2018 is 9.25% per annum.

20 Trade payables

	As at 31 March 2018	As at 31 March 2017
Due to micro and small enterprises (refer note 39)		
Creditors other than micro and small enterprises		
- Related parties - Vardhman Textiles Limited, the Joint Venture Partner	668.13	212.69
- Related parties - Vardhman Yarns and Threads Limited, a Associate of Joint Venture Partner	40.06	56.26
- Others	195.34	288.08
	<u>903.53</u>	<u>557.04</u>

21 Other financial liabilities (Current)

	As at 31 March 2018	As at 31 March 2017
<b>Financial Liabilities at amortised cost</b>		
Current maturities of long-term borrowings	492.00	492.00
Interest accrued but not due on short term borrowings	80.75	83.07
Creditors for purchase of property, plant and equipments	12.96	12.81
Other payables:		
-employee dues	108.70	90.70
-others	8.62	5.28
	<u>703.02</u>	<u>683.86</u>

22 Other current liabilities

	As at 31 March 2018	As at 31 March 2017
Statutory dues payable		
-sales tax		7.80
-provident fund	11.09	11.41
-employee state insurance (ESI)	4.43	3.92
-Labour welfare fund payable	0.79	0.92
-tax deducted at source	12.30	11.39
Advance from customers	10.28	5.05
	<u>38.89</u>	<u>40.49</u>

23 Provisions (Current)

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Compensated absences	1.76	1.74
Gratuity (refer note 38)	2.16	1.87
	<u>3.92</u>	<u>3.61</u>





**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

		Year ended 31 March 2018	Year ended 31 March 2017
<b>24</b>	<b>Revenue from operations</b>		
	Sale of products		
	-own manufactured textile garments (shirts)	5,824.45	5,640.73
	-traded goods (fabric)	6.09	42.74
		<b>5,830.55</b>	<b>5,683.47</b>
	Sale of services - stitching charges / job work	1.56	8.41
	Other operating income		
	-scrap sales	9.67	17.14
	-export benefits	124.47	94.76
	-Foreign exchange gain (net)	14.46	14.29
		<b>5,980.71</b>	<b>5,818.07</b>
<b>25</b>	<b>Other income</b>		
	Interest income on :		
	- fixed deposits with banks	0.01	0.24
	Fair value gain on derivatives not designated as hedges		2.41
	Interest income from financial assets measured as amortised cost	0.03	0.05
	Liabilities / provisions no longer required written back	5.52	7.12
	Amortisation of deferred government grant	3.65	3.65
	Others	8.30	1.61
		<b>17.51</b>	<b>15.09</b>
<b>26</b>	<b>Cost of materials consumed</b>		
	<b>Raw Material</b>		
	Fabric	3,256.11	2,840.96
	Trims	494.57	458.40
		<b>3,750.68</b>	<b>3,299.36</b>
<b>27</b>	<b>Changes in inventories of finished goods and work-in-progress</b>		
	Opening stock (shirts)		
	-work-in-progress	261.64	254.24
	-finished goods - own manufactured	232.89	272.35
	Less : Closing stock (shirts)		
	-work-in-progress	400.35	261.64
	-finished goods - own manufactured	333.97	232.89
	Net Decrease/(Increase) in inventories	<b>(239.79)</b>	<b>32.06</b>
<b>28</b>	<b>Employee benefits expense</b>		
	Salaries, wages, gratuity, compensated absences and bonus	1,089.99	938.74
	Contribution to provident and other funds	110.19	99.81
	Workmen and staff welfare expenses	7.55	5.08
	Amortisation of deferred employee benefit expense on employee loan	0.03	0.05
		<b>1,207.77</b>	<b>1,043.67</b>
	Less: Actuarial loss/ (gain) presented in other comprehensive income	(11.09)	2.92
		<b>1,218.86</b>	<b>1,040.75</b>
<b>29</b>	<b>Finance cost</b>		



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to the financial statements for the year ended 31 March 2018**  
**(Amount in lakhs)**

Interest expense		
Interest expense on liability component of 10% non cumulative convertible preference shares	211.28	227.76
Other borrowing cost	55.20	50.18
	11.96	9.17
	<u>278.44</u>	<u>287.10</u>

**30 Depreciation and amortisation expense**

	Year ended 31 March 2018	Year ended 31 March 2017
Depreciation on property, plant and equipment	175.72	162.07
Amortisation of intangible asset	3.27	5.16
	<u>178.99</u>	<u>167.23</u>

**31 Other expenses**

	Year ended 31 March 2018	Year ended 31 March 2017
Consumption of stores and spare parts	29.52	35.49
Packing materials consumed	274.88	328.95
Power and fuel	98.94	98.82
Freight, clearing and forwarding	73.82	110.88
Repairs and maintenance		
- machinery	75.80	49.39
- others	7.88	41.00
Insurance	5.90	2.24
Rates and taxes	3.88	3.25
Legal and professional	28.42	76.75
Payment to Auditor (refer note 36)	1.62	11.07
Travelling and conveyance	38.46	40.87
Printing and stationery	9.51	7.88
Communication expenses	9.24	6.20
Sales promotion & commission on export	21.83	19.16
Shirt Testing Charges	10.26	6.07
Expense for group corporate services	2.96	3.28
Processing charges	23.65	15.50
Provision for doubtful debts/advances	(13.39)	7.50
Sundry balances written off	13.39	
Property, plant and equipments written off		
(Increase)/ decrease in excise duty on change in inventories of finished goods		0.21
Prior period expenses (refer note 42)		(0.52)
Miscellaneous expenses	6.94	
	33.25	26.66
	<u>756.75</u>	<u>890.66</u>



**Vardhman Nisshinbo Garments Company Limited**

Notes to Accounts for the year ended 31 March 2018

**32. Earnings per share:**

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

Particulars	Amounts in Lakhs	
	Year ended 31 March 2018	Year ended 31 March 2017
Net Profit after tax attributable to equity shareholders	22.92	(50.96)
Number of weighted average equity shares		
Basic	140.00	140.00
Add: Effect of dilutive equity shares 10% - non-cumulative convertible preference share	-*	-*
Diluted	140.00	140.00
Nominal value of equity share	10	10
Nominal value of 10% non-cumulative convertible preference share	10	10
<b>Earnings per equity share</b>		
Basic	0.16	(0.36)
Diluted	0.16	(0.36)
*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.		
		-

**33. Capital commitments and others:**

Particulars	Amount in Rupees	
	As at 31 March 2018	As at 31 March 2017
(a) Exports obligations under Export Promotion Capital Goods (EPCG) scheme	Nil	735.57
(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. The above commitment has been waived off by the bank during the year on a special request by the management of the company.		



**Vardhman Nisshinbo Garments Company Limited**

Notes to Accounts for the year ended 31 March 2018

**34. Related parties:**

(i) **Related parties and nature of related party relationship:**

Description of relationship	Name of the party	
Joint Venture Partner	Vardhman Textiles Limited, India (VTL)	
Joint venture Partner	Nisshinbo Textile Inc., Japan	
A Associate of Joint Venture Partner	Vardhman Yarns and Threads Limited, India	
Subsidiary of Joint Venture	Naigai Shirts Co. Ltd, Japan Nisshinbo Shanghai Co .Ltd., China	
Key managerial person	Mr. D.L. Sharma Mr. Anil Sood Mr. Sanjay Gupta Ms. Apinder Sodhi Ms. Monika Sethi	Whole-Time Director Chief Financial Officer from 10 Mar 15 Company Secretary from 04 Aug 2017 Independent Director till 04 Aug 2017 Independent Director till 04 Aug 2017

(ii) **Transactions with related parties:**

Particulars	Amounts in Lakhs	
	Year ended 31 March 2018	Year ended 31 March 2017
<b>Short-term borrowings taken during the year</b> Vardhman Textiles Limited	250.00	200.00
<b>Short-term borrowings repaid during the year</b> Vardhman Textiles Limited	250.00	200.00
<b>Interest expense on short-term borrowings</b> Vardhman Textiles Limited	89.72	92.29
<b>Interest paid on short-term borrowings</b> Vardhman Textiles Limited	92.30	97.02
<b>Expenses paid on behalf of the others</b> Vardhman Textiles Limited	16.46	1.73
<b>Expenses paid by others on behalf of the Company</b> Vardhman Textiles Limited	6.29	15.55
<b>Purchase of raw materials</b> Vardhman Yarns and Threads Limited	100.31	108.51
<b>Purchase of raw materials</b> Vardhman Textiles Limited	1596.83	1343.32
<b>Purchase of raw materials</b> Nisshinbo Shanghai Co .Ltd.	0.45	Nil
<b>Purchase of stores and spares/ capital items</b> Vardhman Textiles Limited (capital items)	0.27	1.59



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Vardhman Yarns and Threads Limited	43.77	40.96
Nisshinbo Textile Inc.	0.94	0.08
<b>Revenue</b>		
Vardhman Textiles Limited	31.31	3.87
Vardhman Yarns and Threads Limited	2.52	0.38
Nisshinbo Textile Inc.	179.70	497.76
<b>Remuneration paid to Key managerial personnel</b>		
Mr. Anil Sood	7.60	7.14
<b>Remuneration paid to Independent Director</b>		
Ms. Apinder Sodhi	0.14	0.44
Ms. Monika Sethi	0.14	0.34

**iv) Balances due from/ to the related parties:**

Particulars	<i>Amounts in Lakhs</i>	
	As at 31 March 2018	As at 31 March 2017
<b>Short-term borrowings</b>		
Vardhman Textiles Limited	1199.12	1199.12
<b>Interest accrued but not due on short-term borrowings (net of TDS)</b>		
Vardhman Textiles Limited	80.74	83.06
<b>Advance to suppliers</b>		
Naigai Shirts Co. Ltd	Nil	1.36
Nisshinbo Textile Inc.	Nil	0.04
Nisshinbo Shanghai Co. Ltd.	Nil	0.43
<b>Trade payables</b>		
Vardhman Textiles Limited	668.12	212.69
Vardhman Yarns and Threads Limited	40.06	56.26
<b>Trade receivables</b>		
Nisshinbo Textile Inc.	54.04	Nil



## Vardhman Nisshinbo Garments Company Limited

### Notes to Accounts for the year ended 31 March 2018

35. The Government introduced the modified Technology Upgradation Fund Scheme (TUFS) for the textiles and jute industries with effect from 1 April 2007 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.1952.00 lakhs. On account of savings in the project cost post implementation this amount is being worked out to Rs.1699.32 lakhs 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.531.10 lakhs recognized upto current year (previous year Rs. 46,8.91 lakhs ) in the Statement of Profit and Loss, with a recoverable Rs. 466.65 lakhs (previous year Rs.404.46 lakhs previous year) under the head "Other current assets" in the balance sheet.
- 10% capital subsidy amounting to Rs.53.41 lakhs (previous year Rs. 5,3.41 lakhs ) 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.

### 36. Auditor's remuneration:

Particulars	Amounts in lakhs	
	Year ended 31 March 2018	Year ended 31 March 2017
Audit fee (excluding GST)		
- statutory audit	1.00	8.50
- Tax audit fee	0.50	0.25
- certification work	-	0.56
- reimbursement of expenses	0.11	
<b>Total</b>	<b>1.61</b>	<b>9.31</b>

### 37. 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.

#### Geographical information

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



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2018

Particulars	Year ended	Amount in Lakhs							Total
		India	Belgium	Japan	Korea	Peru	USA	Germany	
Revenue from sale of products	31 March 2018	4617.15	431.74	179.69	550.77	Nil	44.09	7.08	5830.54
	31 March 2017	4862.69	217.11	499.51	54.90	49.24	Nil	Nil	5683.46

Revenue from Five major customers amounted to Rs.3671.21 aggregating to 62.96% of total revenue during the year ended 31 March 2018 (Rs. 2200.10 aggregating to 39% of total revenue during the year ended 2017).

38. 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:

Particulars	Amounts in Lakhs	
	As at 31 March 2018	As at 31 March 2017
Opening defined benefit obligation	54.56	39.46
Current service cost	16.82	14.53
Interest cost	4.01	3.15
Actuarial (gains) / losses	(11.08)	2.91
Benefits paid	(5.87)	(5.51)
<b>Closing defined benefit obligation</b>	<b>58.43</b>	<b>54.56</b>

(B) The amounts recognized in the Other Comprehensive Income are as follows:

Particulars	Amounts in Lakhs	
	Year ended 31 March 2018	Year ended 31 March 2017
Actuarial gain / (loss) for the year – obligation	11.08	(2.91)
Actuarial gain / (loss) recognized in the year	11.08	(2.91)
Unrecognized actuarial gains / (losses) at the end of the year	Nil	Nil



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

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

Particulars	<i>Amounts in lakhs</i>	
	As at 31 <sup>st</sup> March 2018	As at 31 <sup>st</sup> March 2017
Present value of obligation as at the end of the year	58.43	54.56
Fair value of plan assets as at the end of the year	Nil	Nil
Funded / (unfunded) status	Nil	Nil
Unrecognized actuarial (gains) / losses at the end of the year	Nil	Nil
Net assets / (liability) recognised in Balance Sheet	(58.43)	(54.56)

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

Particulars	<i>Amounts in Lakhs</i>	
	Year ended 31 March 2018	Year ended 31 March 2017
Current service cost	16.82	14.53
Past service cost	Nil	Nil
Interest cost	4.01	3.15
Expected return on plan assets	Nil	Nil
Total amount recognized in statement of Profit and loss	20.83	17.69

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

Economic assumptions	As at 31 March 2018	As at 31 March 2017
Discount rate	7.71%	7.35%
Expected rate of salary increase	6.00%	6.00%
Expected rate of return on plan assets	Nil	Nil

Demographic assumptions	As at 31 March 2018	As at 31 March 2017
Retirement age	58 years	58 years
Mortality table	IALM (2006-08) ultimate	IAL (2006-08) ultimate
Withdrawal rates	5%	5%





**Vardhman Nisshinbo Garments Company Limited**

Notes to Accounts for the year ended 31 March 2018

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

*Amounts in Lakhs*

Particulars	Year ended	Year ended	Year ended	Year ended	Year ended
	31 March 18	31 March 17	31 March 16	31 March 15	31 March 14
Present value of obligation as at the end of the year	58.43	54.56	39.43	31.02	19.81
Fair value of plan assets as at the end of the year	-	-	-	-	-
Deficit	(58.43)	(54.56)	(39.43)	(31.02)	(19.81)
Experience adjustment gain/(loss) for plan liability	(11.08)	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:**

*Amounts in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
<b>Discount Rate</b>		
0.50% Increase	(3.32)	(3.08)
0.50% decrease	3.65	3.38
<b>Future Salary increase</b>		
0.50% Increase	3.69	3.41
0.50% decrease	(3.39)	(3.14)

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



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

**(H) Maturity profile of defined benefit obligation:**

*Amounts in Lakhs*

<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>
<b>Within 1 year</b>	2.16	1.87
<b>1-5 year</b>	9.16	7.22
<b>Beyond 5 years</b>	47.11	45.47

39. 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 2018.

**40. (A) 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 Lakhs*

<b>Particulars</b>	<b>As at 31 March 2018</b>	<b>As at 31 March 2017</b>
<b>Deferred tax liabilities (a)</b>		
Accelerated depreciation	283.60	283.67
Derivatives instruments not designated as hedges	Nil	0.74
<b>Total</b>	<b>283.60</b>	<b>284.41</b>
<b>Deferred tax assets</b>		
Provision for leave encashment	5.08	5.19
Provision for gratuity	18.05	16.86
Provision for doubtful debts and advances	5.79	9.93
Provision for bonus	Nil	1.85
Brought forward losses and unabsorbed depreciation	619.18	647.72
Deferred government grant	9.63	10.76
<b>Total</b>	<b>657.75</b>	<b>692.33</b>
<b>Deferred tax assets restricted to deferred tax liabilities (b)</b>	283.60	284.41
<b>Net deferred tax assets [(a)-(b)]</b>	<b>Nil</b>	<b>Nil</b>



**Vardhman Nisshinbo Garments Company Limited****Notes to Accounts for the year ended 31 March 2018****(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: *Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
Tax losses including unabsorbed depreciation	374.15	407.91
MAT credit entitlement	4.38	-

The tax losses will expire in 2019-2022, MAT credit in 2033-2034 and unabsorbed depreciation has no expiry.

**(c) Reconciliation of tax expense and the Profit before tax:***Amount in Lakhs*

Particulars	Current Year	Previous Year
Accounting profit before tax	27.30	(50.96)
Add:		
1/5th of transition amount	98.02	98.02
Provision for doubtful debt	-	7.50
Re measurements of the defined benefits plans recognized in OCI	11.08	-
Less:		
Re measurements of the defined benefits plans recognized in OCI	-	(2.91)
Provision for doubtful debt written back	(13.38)	
Unabsorbed depreciation	(101.29)	(51.64)
Book Profit	21.73	-
Tax @ 19.055% (incl interest Rs. 24708)	4.38	-



## Vardhman Nisshinbo Garments Company Limited

### Notes to Accounts for the year ended 31 March 2018

#### 41. 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:



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

*Amount in Lakhs*

Particulars	As at 31 <sup>st</sup> March 2018	As at 31 <sup>st</sup> March 2017
Trade receivables		
-In USD	2.63	0.31
-In EURO	0.04	Nil
-Foreign exchange forward contracts sell foreign currency in USD#	Nil	(0.69)
Net exposure to foreign currency risk (assets)	Nil	Nil
Trade Payables		
-In USD	0.16	0.07
-In JPY	0.42	0.39
Net exposure to foreign currency risk (liabilities)		
-In USD	2.47	0.07
-In JPY	0.42	0.39
-In EURO	0.04	Nil

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

The following significant exchange rates applied during the year

Particulars	2017-18 (Average exchange rate)	2016-17 (Average exchange rate)	2017-18 (Year end rates)	2016-17 (Year end rates)
INR/USD	65.00	65.58	65.17	64.84
INR/JPY	0.60	0.59	0.61	0.58
INR/EURO	80.81	Nil	80.81	Nil



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

**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:

*Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
10% Strengthening/weakening of USD against INR	16.12	0.47
10% Strengthening/weakening of JPY against INR	0.02	0.02
10% Strengthening/weakening of EURO against INR	0.36	Nil

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.

*Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
Contracts against export		
-In USD	Nil	0.69
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**



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

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: *Amount in Lakhs*

Variable rate instruments	As at 31 March 2018	As at 31 March 2017
Long term borrowings	720.00	1210.13
Current maturities of long term debt	492.00	492.00
Short term borrowings	2000.18	1630.81

*Amount in Lakhs*

Fixed rate instruments	As at 31 March 2018	As at 31 March 2017
Liability component of 10% non cumulative preference shares term borrowings	607.15	551.95

***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: *Amount in Lakhs*

Particulars	31 March 2018	31 March 2017
Increase/ (decrease) in 100 basis point	32.12	33.32



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**

**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:

*Amount in Lakhs*

<b>Particulars</b>	<b>As at 31<sup>st</sup> March 2018</b>	<b>As at 31<sup>st</sup> March 2017</b>
<b>Long Term Borrowings including current maturity of long term debts (Carrying amount)</b>	1819.15	2254.09
Contractual cash flows of long term borrowings	2770.32	3008.25
0-3 months	172.11	167.16
3-12 months	495.68	482.33
1-2 years	837.36	597.10
2-5 years	265.16	761.64
More than 5 years	1000.00	1000.00
<b>Short Term Borrowings (Carrying amount)</b>	2000.18	1630.81
Contractual cash flows of short term borrowings	2000.18	1630.81
0-3 months	2000.18	1630.81
3-12 months	-	-
1-2 years	-	-
2-5 years	-	-
More than 5 years	-	-
<b>Trade Payables (Carrying amount)</b>	903.52	557.04
Contractual cash flows of trade payables	903.52	557.04
0-3 months	903.52	557.04
3-12 months	-	-





## Vardhman Nisshinbo Garments Company Limited

### Notes to Accounts for the year ended 31 March 2018

1-2 years	-	-
2-5 years	-	-
More than 5 years	-	-
<b>Other Financial liabilities (Carrying amount)</b>	211.02	191.85
Contractual cash flows of other financial liabilities	211.02	191.85
0-3 months	211.02	191.85
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.



**Vardhman Nisshinbo Garments Company Limited**  
**Notes to Accounts for the year ended 31 March 2018**

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

*Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
<b>(a) Revenue from top five customers</b>		
- Amount of sales	3671.21	3652.55
-% of total sales	62.96	62.82

**Credit Risk Exposure**

The allowance for lifetime expected credit loss on customer balance for the year ended 31 March 2018 was Rs. Nil and for the year ended 31 March 2017 was Rs.750,000.

*Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
<b>(b) Allowance for doubtful debt</b>		
-Balance at the beginning of the period	28.59	21.09
-Impairment loss recognized	Nil	7.50
-Amount written off	13.39	Nil
-Balance at the end of the period	15.21	28.59

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.



## Vardhman Nisshinbo Garments Company Limited

### Notes to Accounts for the year ended 31 March 2018

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:

*Amount in Lakhs*

Particulars	As at 31 March 2018	As at 31 March 2017
Borrowings	3819.33	3884.90
Less: Cash and cash equivalents	(0.39)	(0.11)
Net debt	3818.95	3884.78
Total equity	565.44	533.98
Capital and Net debt	4384.39	4418.87
Gearing ratio	87%	88%

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 2018 & 31 March 2017.

42. Following prior period expenses have been identified during the previous year ended 31 March 2018:

Financial statement caption	<i>Amount in Lakhs</i>
Telephone Expenses	2.66
Machinery Repair	1.34
Cost of material consumed	0.30
Legal and Professional Charges	0.05
Consumption of Store & Spare	2.58
Total	6.94

Since the Amount of previous year expenses is immaterial, hence it has not been reclassified in respective heads.



Vardhman Nishinbo Garments Company Limited  
Notes to the financial statements for the year ended 31 March 2018  
(Amount in lakhs)

43 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 2018

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		
<b>Financial assets:</b>							
Loans (Non-Current)	0.66					0.66	0.66
Other financial assets (Non-Current)	8.37					8.37	8.37
Trade receivables	1,488.70					1,488.70	1,488.70
Other bank balances							
Cash and cash equivalents	0.39					0.39	0.39
Loans (Current)	0.44					0.44	0.44
Other financial assets (Current)	0.17					0.17	0.17
<b>Total</b>	<b>1,498.72</b>					<b>1,498.72</b>	<b>1,498.72</b>
<b>Financial liabilities:</b>							
Borrowings (Non-Current)	1,327.15					1,327.15	1,327.15
Borrowings (Current)	2,000.19					2,000.19	2,000.19
Trade Payables	903.53					903.53	903.53
Other financial liabilities (current)	703.02					703.02	703.02
<b>Total</b>	<b>4,933.89</b>					<b>4,933.89</b>	<b>4,933.89</b>

As at 31 March 2017

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		
<b>Financial assets:</b>							
Loans (Non-Current)	0.72					0.72	0.72
Other financial assets (Non-Current)	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
Loans (Current)	0.48					0.48	0.48
Other financial assets (Current)	0.69		2.41			3.09	3.09
<b>Total</b>	<b>1,396.58</b>		<b>2.41</b>			<b>1,398.99</b>	<b>1,398.99</b>
<b>Financial liabilities:</b>							
Borrowings (Non-Current)	1,762.09					1,762.09	1,762.09
Borrowings (Current)	1,630.81					1,630.81	1,630.81
Trade Payables	557.04					557.04	557.04
Other financial liabilities (current)	683.86					683.86	683.86
<b>Total</b>	<b>4,633.80</b>					<b>4,633.80</b>	<b>4,633.80</b>



(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 value:

As at 31 March 2018

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

As at 31 March 2017

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



## Vardhman Nisshinbo Garments Company Limited

### Notes to Accounts for the year ended 31 March 2018

44. In accordance with Ind AS 18 on "Revenue" and Schedule III to the Companies Act, 2013, Sales for the previous year ended 31 March 2017 and for the period 1 April to 30 June 2017 were reported gross of Excise Duty and net of VAT/ CST. Excise Duty was reported as a separate expense line item. Consequent to the introduction of Goods and Services Tax (GST) with effect from 1 July 2017, VAT/CST, Excise Duty etc. have been subsumed into GST and accordingly the same is not recognised as part of sales as per the requirements of Ind AS 18. This has resulted in lower reported sales in the current year in comparison to the sales reported under the pre-GST structure of indirect taxes. With the change in structure of indirect taxes, certain expenses where credit of GST is available are also being reported net of taxes.

45. Recent Accounting pronouncements

#### Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, "Foreign Currency Transactions and Advance Consideration" which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The amendment is applicable for annual reporting periods beginning on or after April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material..

#### Ind AS 115- Revenue from Contract with Customers:

On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

46. Reconciliation of changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes as per the requirement of Ind AS-7 'Statement of Cash Flows'.

*Amount in Lakhs*

Particulars	Borrowings (Non current) (incl current maturities)	Borrowings (Current)
A. Borrowings from banks		



**Vardhman Nisshinbo Garments Company Limited**

**Notes to Accounts for the year ended 31 March 2018**


Balance at the beginning of the period	1702.13	431.69
Add: Changes during the period		
(a) changes from financing cash flows	-490.13	369.37
(b) changes arising from obtaining or losing control of subsidiaries or other businesses		-
(c) the effect of changes in foreign exchange rates		-
(d) changes in fair values		-
(e) other changes		-
Balance at the end of the period	1212.00	801.07
B. Deposits from body corporates		
Balance at the beginning of the period		1199.12
Add: Changes during the period		-
(a) changes from financing cash flows		-
(b) changes arising from obtaining or losing control of subsidiaries or other businesses		-
(c) the effect of changes in foreign exchange rates		-
(d) changes in fair values		-
(e) other changes		-
Balance at the end of the period		1199.12

Note: The Company is not required to provide comparative information for preceding year i.e. 2016-17.

47. Previous Year figures have been regrouped/ reclassified wherever considered necessary


**As per our report of even date attached**

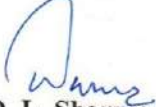
For SCV & Co.  
Chartered Accountants  
Firm Reg No. 000235N

  
(Sanjiv Mohan)  
Partner  
Membership No.:



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

  
Neeraj Jain  
Director  
DIN: 00340459

  
D. L. Sharma  
Chairman  
DIN: 00727581

Place : Ludhiana  
Date : 30 April 2018

  
Anil Sood  
Chief Financial Officer

  
Sanjay Gupta  
Company Secretary

Place: Ludhiana  
Date:30 April 2018