
Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vardhman Nisshinbo Garments Company Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash flows for the year ended, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

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

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

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) and other accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit, we report, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance sheet, the statement of profit and loss including other comprehensive income, statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended



(e) On the basis of the written representations received from the directors as on 31st March 2019 taken on record by the Board of directors, none of the directors is disqualified as on 31st March 2019 from being appointed as a Director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A", Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial control over financial reporting of those companies, for reasons stated therein.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, we report that no remuneration has been paid by the Company to its directors during the year and accordingly provisions of section 197 of the act are not applicable.

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

- i. The company does not have any pending litigations which would impact its financial position;
- ii. The company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses; and
- iii. There were no amounts which were to be transferred, to the Investor Education and Protection Fund by the Company.

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

For SCV & Co; LLP
Chartered Accountants
Firm Reg. No.000235N/N500089



S. J. Mohan
(Sanjiv Mohan)
Partner
M. No. 086066

Place: Ludhiana
Date: 06.05.2019

Annexure - A to the Independent Auditors' Report**Annexure – “A” TO THE INDEPENDENT AUDITORS REPORT**

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the members of Vardhman Nisshinbo Garments Company Limited of even date)

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

We have audited the internal financial control over financial reporting of Vardhman Nisshinbo Garments Company Limited (“the Company”) as of 31st March 2019 in conjunction with our audit of financial statements of company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for



our audit opinion on the Company's internal financial controls system over financial reporting of the company.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.

- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanation given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Ludhiana
Date: 06.05.2019

For SCV & Co. LLP;
Chartered Accountants

Firm Reg. No.000235N/N500089



(Sanjiv Mohan)
Partner
M. No. 086066

Annexure - B to the Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Vardhman Nisshinbo Garments Company Limited of even date)

- (i) In respect of the Company's fixed assets:-
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased program of physical verification of its fixed assets by which all the fixed assets are physically verified by the management in accordance with a phased program designed to cover all items of fixed assets over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, title deed of the immovable property is held in the name of the Company.
- (ii) According to the information and explanations given to us, the inventories, except materials-in-transit, have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable. According to the information and explanations given to us, no discrepancies were noticed on such verification.
- (iii) According to the information and explanations given to us, we report that the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Therefore the provisions of paragraph 3(iii) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us, the company has not granted any loan and has not made any investment in body corporate during the year and therefore the provisions of the section 186 of the Companies Act, 2013 are not applicable to the company. Further the company has not granted loans to directors or the person on whom directors are interested. Therefore the provision of section 185 of Companies Act, 2013 are not applicable to the company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits covered under the provisions of sections 73 to 76 and any other relevant provision of Companies Act, 2013 and the rules framed thereunder. According to information and explanation given to us, no order under its aforesaid sections has been passed by the Company Law Board or the Reserve Bank of India or any court or any other Tribunal on the Company.
- (vi) According to the information and explanations given to us the provisions of Section 148 of Companies Act, 2013 regarding maintenance of cost records are not applicable to company.



- (vii) (a) According to the information and explanations given to us and on the basis of the records of the Company examined by us, in our opinion, the Company has been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, cess, goods and service tax and other statutory dues with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts in respect of statutory dues payable were outstanding as on the last day of the financial year concerned for a period of more than six months from the date they became payable as at 31st March, 2019.

- (b) According to the information and explanations given to us there are no dues of income tax, service tax, duty of custom, duty of excise which have not been deposited with the appropriate authorities on account of any dispute.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to a financial institution bank or government. The Company has not issued any debentures during the year or in the preceding year.
- (ix) According to the information and explanations given to us, the company has not raised money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, clause 3 (ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to information and explanation given to us and based on our examination of records of company, the company has not paid/not provided for managerial remuneration therefore the provisions of section 197 of the Act are not applicable.
- (xii) According to the information and explanation given to us, the company is not a Nidhi Company. Therefore the provisions of paragraph 3(xii) of the Order are not applicable.
- (xiii) According to the information and explanations given to us, and based on our examination of the records of the company, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details of the transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Thus the provisions of paragraph 3(xiv) of the Order are not applicable.
- (xv) According to information and explanations given to us, and based on our examination of the records of the company, the company has not entered into non-cash transactions with director or person connected with them. Accordingly, provisions of paragraph 3 (xv) of the Order are not applicable.



(xvi) According to the information and explanations given to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For SCV & Co; LLP

Chartered Accountants

Firm Reg. No.000235N/N500089



(Signature)
(Sanjiv Mohan)

Partner

M. No. 086066

Place: Ludhiana
Date: 06.05.2019

Vardhman Nisshinbo Garments Company Limited
Balance Sheet as at 31 March 2019

(Amount in lakhs)

Particulars	Note No.	As at 31 March 2019	As at 31 March 2018
ASSETS			
A Non-current assets			
(a) Property, plant and equipment	3 (a)	2,377.36	2,388.45
(b) Intangible assets	3 (b)	22.56	6.00
(c) Capital Work in Process		-	0.53
(d) Financial assets			
-Loans	4	-	0.66
-Others financial assets	5	9.27	8.37
(e) Deferred tax assets (Net)	40	43.80	-
(f) Other non-current assets	6	3.39	3.85
Total non-current assets		2,456.39	2,407.85
B Current assets			
(a) Inventories	7	621.75	1,025.06
(b) Financial assets			
-Trade receivables	8	2,063.33	1,488.70
-Cash and cash equivalents	9	0.06	0.39
-Loans	10	2.15	0.44
-Other financial assets	11	0.29	0.17
(c) Current tax assets (Net)		46.20	20.75
(d) Other current assets	12	661.98	703.48
Total current assets		3,395.76	3,238.99
TOTAL ASSETS		5,852.14	5,646.84
EQUITY AND LIABILITIES			
A Equity			
(a) Equity share capital	13	1,400.00	1,400.00
(b) Other equity	14	(702.38)	(832.01)
Total equity		697.62	567.99
B Liabilities			
Non-current liabilities			
(a) Financial Liabilities			
-Borrowings	15	667.87	1,327.15
(b) Provisions	16	78.19	70.96
(c) Deferred Government grant	17	23.89	27.54
Total Non-current liabilities		769.96	1,425.66
Current liabilities			
(a) Financial Liabilities			
-Borrowings	18	2,462.87	2,000.19
-Trade payables	19		
-total outstanding dues of micro enterprises and small enterprises		-	-
-total outstanding dues of creditors other than micro enterprises and small enterprises		844.91	903.53
-Other financial liabilities	20	1,025.85	703.02
(b) Other current liabilities	21	42.88	38.89
(c) Deferred Government grant	17	3.65	3.65
(d) Provisions	22	4.41	3.92
Total Current liabilities		4,384.57	3,653.20
Total liabilities		5,154.53	5,078.86
TOTAL EQUITY AND LIABILITIES		5,852.14	5,646.84

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

As per our report of even date attached
For SCV & Co. LLP
Chartered Accountants
Firm registration No.: 000235N/N500089

(Sanjiv Mohan)
Partner
Membership No. 086066



Place Ludhiana
Date 06 May 2019

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

Neeraj Jain
Director
DIN: 00340459

J. L. Sharma
Chairman
DIN: 00727581

Anil Sood
Chief Financial Officer

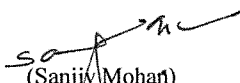
Place Ludhiana
Date: 06 May 2019

Vardhman Nisshinbo Garments Company Limited
Statement of Profit and Loss for the year ended 31 March 2019

		(Amount in lakhs)	
Particulars	Note No	For the year ended 31 March 2019	For the year ended 31 March 2018
Income			
Revenue from operations	23	7,254.54	5,980.71
Other income	24	24.57	17.51
I. Total income		7,279.12	5,998.22
Expenses			
Cost of materials consumed	25	3,957.68	3,750.68
Changes in inventories of finished goods and work-in-progress	26	447.71	(239.79)
Excise duty		-	26.99
Employee benefits expense	27	1,436.16	1,218.86
Finance cost	28	299.63	278.44
Depreciation and amortisation expense	29	199.28	178.99
Other expenses	30	813.00	756.75
II. Total expenses		7,153.46	5,970.92
III. profit before tax for the year (I-II)		125.66	27.31
IV. Tax expense:			
(1) Current tax		43.80	4.39
MAT credit entitlement		(43.80)	-
(2) Deferred tax		-	-
V. Profit for the year (III-IV)		125.66	22.92
VI. Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefits plans	28	3.97	11.09
Income tax relating to these items		-	-
VII. Total comprehensive income for the year (V+VI)		129.63	34.00
Earnings per equity share (Rs.) (par value of Rs. 10)			
Basic		0.90	0.16
Diluted		0.90	0.16

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

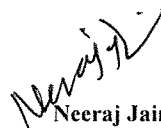
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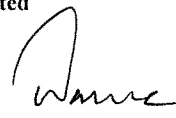

(Sanjiv Mohan)
Partner
Membership No. 086066



Place:Ludhiana
Date:06 May 2019

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

Place:Ludhiana
Date:06 May 2019


Vardhman Nisshinbo Garments Company Limited
Cash Flow Statement for the year ended 31 March 2019

	Year ended 31 March 2019	(Amount in lakhs) Year ended 31 March 2018
A Cash flow from operating activities		
Net profit before tax	125.66	22.92
Adjustments for:		
Amortisation of deferred government grants	(3.65)	(3.65)
Liabilities / provisions no longer required written back	(7.53)	(5.52)
Interest income	-	(0.01)
Finance cost	283.00	266.47
Depreciation and amortisation expense	199.28	178.99
Bad debts	26.67	13.39
Provision for doubtful debts	-	(13.39)
Property Plant and Equipments written off	0.28	-
Unrealized foreign exchange loss (net)	0.27	(3.74)
 Operating profit before working capital changes	 <u>623.98</u>	 <u>455.46</u>
Adjustments for:		
Decrease/ (increase) in inventories	403.31	(154.09)
Decrease/ (increase) in trade receivables	(601.57)	(110.65)
Decrease/ (increase) in other assets	39.88	(164.01)
Increase/(Decrease) in trade payables	(51.08)	351.99
Increase/(Decrease) in other liabilities and provisions	70.45	34.34
Cash generated from operations	<u>484.97</u>	<u>413.04</u>
 Income tax paid / tax deducted at source (net of refund and interest on refund)	 <u>(69.25)</u>	 <u>4.08</u>
<i>Net cash generated from operating activities</i>	<u>415.73</u>	<u>417.13</u>
 B Cash flows from investing activities		
Purchase of Property Plant and Equipments (including capital advances)	(204.06)	(95.22)
Bank deposits (having original maturity of more than three months)	-	12.06
Interest received	-	0.66
<i>Net cash used in investing activities</i>	<u>(204.06)</u>	<u>(82.50)</u>
 C Cash flows from financing activities (also refer note 45)		
Inter-corporate deposits taken	500.00	250.00
Inter-corporate deposits paid back	-	(250.00)
Proceeds from cash credit account	(37.31)	369.37
Term loan repaid	(492.00)	(490.13)
Interest paid	(182.67)	(213.60)
<i>Net cash (used in)/ generated from financing activities</i>	<u>(211.99)</u>	<u>(334.36)</u>
 <i>Net (decrease)/ increase in cash and cash equivalents (A+B+C)</i>	 <u>(0.32)</u>	 <u>0.27</u>
 Cash and cash equivalents at the beginning of the year*	 <u>0.39</u>	 <u>0.12</u>
Cash and cash equivalents at the end of the year*	<u>0.06</u>	<u>0.39</u>

* Refer note 2 (u) and note 9

As per our report of even date attached

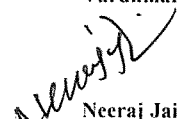
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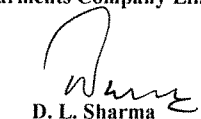

(Sanjiv Mohan)
Partner
Membership No. 086066



Place:Ludhiana
Date:06 May 2019

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

Place:Ludhiana
Date:06 May 2019

Vardhman Nisshinbo Garments Company Limited
Statement of changes in equity for the year ended 31 March 2019

(Amount in lakhs)

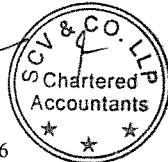
Particulars	Equity share capital	Other equity		
		Equity component of compound financial instruments (10% non cumulative convertible preference shares)	Retained earnings	Other comprehensive income (Remeasurements of the defined benefits plans)
Balance as at 1 April 2017	1,400.00	614.46	(1,481.85)	1.38
Profit for the period	-	-	22.92	-
Other comprehensive Income for the year	-	-	-	11.09
Balance as at 31 March 2018	1,400.00	614.46	(1,458.93)	12.46

Particulars	Equity share capital	Other Equity		
		Equity component of compound financial instruments (10% non cumulative convertible preference shares)	Retained earnings	Other comprehensive income (Remeasurements of the defined benefits plans)
Balance as at 1 April 2018	1,400.00	614.46	(1,458.93)	12.46
Profit for the year	-	-	125.66	-
Other comprehensive Income for the year	-	-	-	3.97
Balance as at 31 March 2019	1,400.00	614.46	(1,333.27)	16.43

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

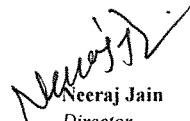
As per our report of even date attached
For SCV & Co. LLP
Chartered Accountants
Firm registration No.: 000235N/N500089


(Sanjiv Mohan)
Partner
Membership No. 086066

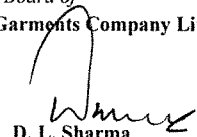


Place: Ludhiana
Date: 06 May 2019

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


Neeraj Jain
Director
DIN: 00340459


Anil Sood
Chief Financial Officer


D. L. Sharma
Chairman
DIN: 00727581

Place: Ludhiana
Date: 06 May 2019

Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

1. Corporate Information

Vardhman Nisshinbo Garments Company Limited (the Company) 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. The Company deals in manufacturing and sale of garments (mainly shirts).

The financial statements are authorized for issue by the Company's Board of directors on 06th May 2019.

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.

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 2019 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). 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



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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 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 than 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 and services

Revenue from sales of goods and services is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration which is expected to be received in exchange for those products or services.

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.

Insurance and Other Claims

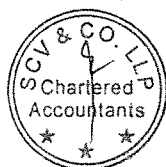
Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

(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 :



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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

Post Employment Benefits

-Defined Contribution Plan:

Provident Fund

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

-Defined Benefit Plans:

Gratuity

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

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.

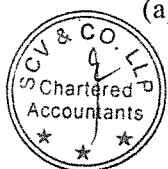
-Compensated absences

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.



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

- (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 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 (software) are amortised over a period of 3 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



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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.

(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



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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

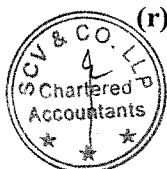
The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

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



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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 valued through profit or loss.

-Financial liabilities

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

Derivative financial instruments



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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

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 original maturity period of three months or less, 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



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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

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

(w) Current – non-current classification

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

Assets

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

- a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or use to settle a liability for at least 12 months after the reporting date.

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

All other assets are classified as non-current.

Liabilities

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

- a) it is expected to be settled in the company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

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

All other liabilities are classified as non-current

Operating cycle



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

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.



Vardhman Nishinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

3a. Property, plant and equipment
As at 31 March 2019

Description	Gross block			Accumulated Depreciation			Net Block	
	As at 1 April 2018	Additions	Adjustments / Sale	As at 31 March 2019	For the year	Adjustments / Sale	As at 31 March 2019	As at 31 March 2019
Freehold land	188.27	0.00	0.00	188.27	0.00	0.00	-	188.27
Buildings	1,130.48	0.00	0.00	1,130.48	36.01	0.00	143.18	987.30
Plant and equipment	1,448.93	157.36	0.00	1,606.29	125.22	0.00	467.61	1,138.68
Furniture and fixtures	52.07	8.77	0.59	60.26	14.68	0.32	34.91	25.34
Vehicles	10.86	0.54	0.00	11.39	1.48	0.00	3.01	8.39
Office equipment	45.36	5.82	0.12	51.05	7.27	0.11	27.13	23.92
Computer equipment	8.81	6.33	0.00	15.14	4.91	0.00	9.68	5.46
Total	2,884.79	178.81	0.71	3,062.88	189.62	0.43	685.53	2,377.36

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	For the year	Adjustments / Sale	As at 31 March 2018	As at 31 March 2018
Freehold land	163.81	24.46	-	188.27	0.00	0.00	-	188.27
Buildings	1,130.48	0.00	-	1,130.48	36.01	0.00	107.17	1,023.31
Plant and equipment	1,423.83	25.11	-	1,448.93	117.47	0.00	342.39	1,106.55
Furniture and fixtures	44.07	8.00	-	52.07	10.00	0.00	20.56	31.52
Vehicles	1.87	8.99	-	10.86	0.52	0.00	1.48	9.38
Office equipment	23.25	22.11	-	45.36	9.18	0.00	19.97	25.39
Computer equipment	2.64	6.17	-	8.81	2.53	0.00	4.77	4.04
Total	2,789.95	94.84	0.00	2,884.79	175.72	-	496.34	2,388.45

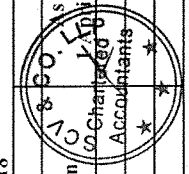
3b. Intangible assets

As at 31 March 2019

Description	Gross block			Accumulated Amortisation			Net Block	
	As at 1 April 2018	Additions	Adjustments / Sale	As at 31 March 2019	For the year	Adjustments / Sale	As at 31 March 2019	As at 31 March 2019
Computer software	22.38	26.23	-	48.61	9.67	-	26.05	22.56
Total	22.38	26.23	-	48.61	9.67	-	26.05	22.56

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	For the year	Adjustments / Sale	As at 31 March 2018	As at 31 March 2018
Computer software	22.38	-	-	22.38	3.27	0.00	16.38	6.00
Total	22.38	-	-	22.38	3.27	-	16.38	6.00



Note: Computer softwares are amortized over a period of four years.

The company has availed the exemption available under Ind AS 101, whereas the carrying value of Property, plant and equipment has been carried forward 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.

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 2019 would have been as under

(Amount in lakhs)

Property, plant and equipment			
Description	Gross Carrying Value as on 31st March 2019	Accumulated Depreciation as on 31st March 2019	Net Carrying Value as on 31st March 2019
Freehold land	188.27	-	188.27
Buildings	1,282.58	295.29	987.30
Plant and equipment	1,921.37	782.68	1,138.68
Furniture and fixtures	94.18	68.84	25.34
Vehicles	13.02	4.63	8.39
Office equipment	54.91	31.00	23.92
Computer equipment	24.76	19.29	5.46
	3,579.09	1,201.74	2,377.36

Intangible assets			
Description	Gross Carrying Value as on 31st March 2019	Accumulated Depreciation as on 31st March 2019	Net Carrying Value as on 31st March 2019
Computer software	66.94	44.39	22.55
	66.94	44.39	22.55

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Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

4 Loans (Non current)

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2019	(Amount in lakhs) As at 31 March 2018
Financial assets at amortized cost		
Other loans		
-Loans to employees	2.15	1.09
Less : Current maturities of loan to employees classified as short term loans (refer note 11)	(2.15)	(0.44)
	<u>-</u>	<u>0.66</u>

5 Other financial assets (Non current)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Security deposits	9.27	8.37
	<u>9.27</u>	<u>8.37</u>

6 Other non-current assets

	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	3.36	3.84
Deferred employee benefit expense	0.03	0.01
	<u>3.39</u>	<u>3.85</u>

7 Inventories

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

	As at 31 March 2019	As at 31 March 2018
Raw materials		
-fabric	122.35	95.82
-trims	115.77	126.58
Stores and spares	39.92	67.97
Work-in-progress - shirts	239.50	400.35
Finished goods - manufactured shirts	47.11	333.97
Raw material in transit	57.09	0.37
	<u>621.75</u>	<u>1,025.06</u>

(i) The amount of inventories recognised as an expense during the period is Rs. 4747.36 lakhs (Previous Year Rs.3815.29 lakhs)

(ii) Finished goods are written down from its cost to net realisable value by Rs.81.16 lakhs (Previous year Rs.152.77 lakhs)

8 Trade receivables

	As at 31 March 2019	As at 31 March 2018
Receivable from related parties	-	-
Receivable from others		
-Trade Receivables considered good -Unsecured	2,063.33	1,488.70
Trade Receivables which have significant increase in Credit Risk	-	-
-Trade Receivables credit impaired	15.21	15.21
Less: Allowances for credit losses	(15.21)	(15.21)
	<u>2,063.33</u>	<u>1,488.70</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 2019

9 Cash and cash equivalents

	As at 31 March 2019	(Amount in lakhs) As at 31 March 2018
Cash and cash equivalents		
- cash in hand	0.02	-
Balance with banks		-
- current accounts	0.04	0.39
	<u>0.06</u>	<u>0.39</u>

10 Loans (Current)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Other loans		
-Loans to employees	2.15	0.44
	<u>2.15</u>	<u>0.44</u>

11 Other financial assets (Current)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Advances to employees	0.29	0.17
	<u>0.29</u>	<u>0.17</u>

12 Other current assets

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	12.83	7.50
Deferred employee benefit expense	0.09	0.04
Interest subsidy claim receivable (refer note 35)	508.11	466.66
Capital subsidy receivable (refer note 35)	53.42	53.42
Other recoverables	65.48	88.63
GST Recoverable	15.60	52.17
Advances to suppliers and contractors		-
Considered good	6.46	35.06
Considered doubtful	3.55	3.55
Less: Provision for doubtful advances	(3.55)	(3.55)
	<u>661.98</u>	<u>703.48</u>



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

(Amount in lakhs)

13 Equity Share capital

	As at 31 March 2019	As at 31 March 2018
<i>Authorised</i>		
28,000,000 (previous year 28,000,000) equity shares of Rs. 10 each	2,800.00	2,800.00
	<u>2,800.00</u>	<u>2,800.00</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	1,400.00	1,400.00
	<u>1,400.00</u>	<u>1,400.00</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 final 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.

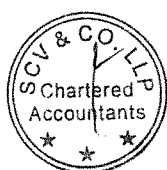
(c) Shares held by ultimate holding company/ holding company and/ or their subsidiaries/ associates

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Vardhman Textiles Limited (holding company)				
Equity shares of Rs. 10 each fully paid up	14000000.00	1,400.00	7,140,000	714.00
	<u>14,000,000.00</u>	<u>1,400.00</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 2019		As at 31 March 2018	
	Number of shares	% holding in the class	Number of shares	% holding in the class
Equity shares of Rs. 10 each fully paid up held by				
Vardhman Textiles Limited (holding company)	14000000.00	100%	7140000.00	51%
Nisshinbo Textile Inc.	-	0.00%	6860000.00	49%
	<u>14,000,000.00</u>	<u>100%</u>	<u>14000000.00</u>	<u>100%</u>

(e) During the five years period ended 31 March 2019 and 31 March 2018, neither any bonus shares or shares issued for consideration other than cash that have been issued nor any shares that have been bought back.



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

14 Other equity

(Amount in lakhs)

	As at 31 March 2019	As at 31 March 2018
(a) Retained Earning		
Balance at the beginning of the year	(1,458.93)	(1,481.85)
-Profit for the year	125.66	22.92
Balance at the end of the period	<u>(1,333.27)</u>	<u>(1,459)</u>
(b) Equity component of compound financial instruments #		
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</u>
	As at	As at
	31 March 2019	31 March 2018
(c) Other Comprehensive Income		
Balance at the beginning of the year	12.46	1.38
-Remeasurment of defined benefit plans	3.97	11.09
Balance at the end of the period	<u>16.43</u>	<u>12.46</u>
Total	<u>(702.38)</u>	<u>(832.01)</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 2019	As at 31 March 2018
Face value of preference shares issue	1000.00	1000.00
Liability component of 10% non cumulative convertible preference shares (shown under long term borrowings refer note-15)	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 2019

15 Borrowings (Non current) (also refer note 45)

	As at 31 March 2019	(Amount in lakhs) As at 31 March 2018
Term loans		
From banks	720.00	1,212.00
Less: Current maturities of long term borrowings (refer note 21)	<u>720.00</u>	<u>492.00</u>
	-	720.00
Liability component of 10% non cumulative convertible preference shares #	667.87	607.15
	<u><u>667.87</u></u>	<u><u>1,327.15</u></u>

Liability component of 10% non cumulative convertible preference shares includes interest expense of Rs.282.33 lakhs recognised upto current year (including Rs.221.62 lakhs recognised upto year 2017-18). 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 fixed assets of the Company, both present and future, including factory land and building and hypothecation of all current assets, both present and future.

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

Repayment	31-March-2019 (in millions)	31-March-2018 (in millions)
2018-19		49.2
2019-20	72.0	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.

16 Provisions (non current)

	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits		
Compensated absences	16.51	14.69
Gratuity (refer note 38)	<u>61.68</u>	<u>56.27</u>
	<u><u>78.19</u></u>	<u><u>70.96</u></u>

17 Deferred government grant

	As at 31 March 2019	As at 31 March 2018
Capital Subsidy*	<u>27.54</u>	<u>31.20</u>
	<u><u>27.54</u></u>	<u><u>31.20</u></u>
Non-current	23.89	27.54
Current	3.65	3.65

* The company has recognised government grant as deferred which has been received for the plant & equipment, the same is being amortised over the useful life of the plant & equipment in proportion in which the related depreciation expense is recognised. 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 2019

18 Borrowings (Current) (also refer note 45)

	As at 31 March 2019	(Amount in lakhs) As at 31 March 2018
Loan repayable on demand		
-From banks (secured)	763.75	801.07
- From related parties-Vardhman Textiles Limited (unsecured)	1,699.12	1,199.12
	<u>2,462.87</u>	<u>2,000.19</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 2019 is 9.20% per annum.

19 Trade payables

	As at 31 March 2019	As at 31 March 2018
Due to micro and small enterprises (refer note 39)	-	-
Creditors other than micro and small enterprises		
- Related parties - Vardhman Textiles Limited	500.09	668.13
- Related parties - Vardhman Yarns and Threads Limited	27.54	40.06
- Others	317.28	195.34
	<u>844.91</u>	<u>903.53</u>

20 Other financial liabilities (Current)

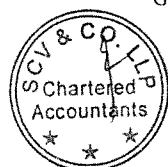
	As at 31 March 2019	As at 31 March 2018
Financial Liabilities at amortised cost		
Current maturities of long-term borrowings	720.00	492.00
Interest accrued but not due on short term borrowings	120.35	80.75
Creditors for fixed assets	13.41	12.96
Other payables:		
-employee dues	160.56	108.70
-others	11.44	8.62
Derivative Instruments at fair value through profit and loss		
Derivative Instruments not designated as hedges	0.09	-
	<u>1,025.85</u>	<u>703.02</u>

21 Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Statutory dues payable		
-Provident fund	10.96	11.09
-Punjab Development Tax	0.24	-
-Employee state insurance (ESI)	4.69	4.43
-Labour welfare fund payable	1.05	0.79
-Tax deducted at source	16.70	12.30
Advance from customers	9.25	10.28
	<u>42.88</u>	<u>38.89</u>

22 Provisions (Current)

	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits		
Compensated absences	1.95	1.76
Gratuity (refer note 38)	2.46	2.16
	<u>4.41</u>	<u>3.92</u>



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

(Amount in lakhs)

23 Revenue from operations	Year ended 31 March 2019	Year ended 31 March 2018
Sale of products		
-own manufactured textile garments (shirts)	7,113.32	5,824.45
-traded goods (fabric)	21.14	6.09
	<u>7,134.46</u>	<u>5,830.55</u>
Sale of services - stitching charges / job work	-	1.56
Other operating income		
-scrap sales	9.57	9.67
-export benefits	106.48	124.47
-Foreign exchange gain (net)	4.03	14.46
	<u>7,254.54</u>	<u>5,980.71</u>
24 Other income	Year ended 31 March 2019	Year ended 31 March 2018
Interest income on :		
- fixed deposits with banks	-	0.01
Interest income from financial assests measured as amortised cost	-	0.03
Liabilites / provisions no longer required written back (Net)	7.53	5.52
Amortisation of deferred government grant	3.65	3.65
Others	13.39	8.30
	<u>24.57</u>	<u>17.51</u>
25 Cost of materials consumed	Year ended 31 March 2019	Year ended 31 March 2018
Fabric	3,462.83	3,256.11
Trims	494.85	494.57
	<u>3,957.68</u>	<u>3,750.68</u>
26 Changes in inventories of finished goods and work-in-progress	Year ended 31 March 2019	Year ended 31 March 2018
Opening stock (shirts)		
-work-in-progress	400.35	261.64
-finished goods - own manufactured	333.97	232.89
Less : Closing stock (shirts)		
-work-in-progress	239.50	400.35
-finished goods - own manufactured	47.11	333.97
Net Decrease/(Increase) in inventories	<u>447.71</u>	<u>(239.79)</u>



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

	(Amount in lakhs)	
	Year ended 31 March 2019	Year ended 31 March 2018
27 Employee benefits expense		
Salaries, wages, gratuity, compensated absences and bonus	1,315.48	1,089.99
Contribution to provident and other funds	108.18	110.19
Workmen and staff welfare expenses	8.53	7.55
Amortisation of deferred employee benefit expense on employee loan	-	0.03
	<u>1,432.19</u>	<u>1,207.77</u>
Add: (Actuarial loss)/ gain presented in other comprehensive income	3.97	11.09
	<u><u>1,436.16</u></u>	<u><u>1,218.86</u></u>
28 Finance cost		
Interest expense	222.28	211.28
Interest expense on liability component of 10% non cumulative convertible preference shares	60.72	55.20
Other borrowing cost	16.63	11.96
	<u>299.63</u>	<u>278.44</u>



Vardhman Nisshinbo Garments Company Limited
Notes to the financial statements for the year ended 31 March 2019

29 Depreciation and amortisation expense

	(Amount in lakhs)	
	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation on property, plant and equipment	189.62	175.72
Amortisation of intangible asset	9.67	3.27
	<u>199.28</u>	<u>178.99</u>

30 Other expenses

	Year ended 31 March 2019	Year ended 31 March 2018
Consumption of stores and spare parts	42.34	29.52
Packing materials consumed	309.77	274.88
Power and fuel	101.75	98.94
Freight, clearing and forwarding	67.27	73.82
Repairs and maintenance	-	-
- machinery	75.74	75.80
- others	0.99	7.88
Insurance	4.46	5.90
Rates and taxes	4.07	3.88
Legal and professional	20.35	28.02
Payment to Auditor (refer note 36)	2.43	2.02
Travelling and conveyance	44.52	38.46
Printing and stationery	10.43	9.51
Communication & IT expenses	11.99	9.24
Sales promotion & commission on export	29.75	21.83
Shirt Testing Charges	18.24	10.26
Expense for group corporate services	2.85	2.96
Processing charges	8.90	23.65
Provision for doubtful debts/advances	-	(13.39)
Sundry balances written off	26.67	13.39
Property Plant and Equipments written off	0.28	-
Prior period expenses	-	6.94
Miscellaneous expenses	30.19	33.25
	<u>813.00</u>	<u>756.75</u>



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

31. Disclosure under Ind AS 115 " Revenue from Contracts with Customers"

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, applied to contracts that were not completed as of April 1, 2018. In accordance with the cumulative catch-up transition method, the comparatives have not been retrospectively adjusted. The impact on account of applying Ind AS 115 Revenue from contract with customers instead of the erstwhile Ind AS 18 Revenue on the financials statements of the Company for the year ended and as at March 31, 2019 is insignificant.

The below are the disclosures as required by Ind AS 115:

Disaggregation of revenue

(a) Type of products

(Amounts in Lakhs)

Particulars	Year ended 31 st March 2019
Sale of readymade garments (shirts)	7113.32
Sale of Fabric	21.14
Total	7134.46

(b) Total Revenue from Contracts with Customers

Particulars	Year ended 31 st March 2019
Revenue from Customers based in India	5700.20
Revenue from Customers based outside India	1434.26
Total	7134.46

(c) Timing of Revenue Recognition

Particulars	Year ended 31 st March 2019
Revenue from goods transferred to customers at a point in time	7134.46
Revenue from goods transferred to customers over time	-
Total	7134.46

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as receivable.

The balances of trade receivables and advance from customers at the beginning and end of the reporting period have been disclosed at note no. 8 and 21 respectively.

The revenue recognised during the year ended 31st March 2019 includes revenue against advances from customers amounting to Rs. 10.28 Lakhs at the beginning of the year.



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

The revenue of Rs. Nil has been recognised during the year ended 31st March 2019 against performance obligations satisfied (or partially satisfied) in previous periods.

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue.

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2019 is Rs. Nil.

32. Earnings per share:

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

(Amounts in Lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Net Profit after tax attributable to equity shareholders	125.65	22.92
Number of weighted average equity shares		
Basic	14000000.00	14000000.00
Add: Effect of dilutive equity shares 10% - non- cumulative convertible preference share *	-	-
Diluted	14000000.00	14000000.00
Nominal value of equity share	10	10
Nominal value of 10% non-cumulative convertible preference share	10	10
Earnings per equity share		
Basic	0.90	0.16
Diluted	0.90	0.16

*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	As at 31 March 2019	As at 31 March 2018
(a) Exports obligations under Export Promotion Capital Goods (EPCG) scheme	Nil	Nil
(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 2019

34. Related parties:

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

Description of relationship	Name of the party	
Holding Company*	Vardhman Textiles Limited, India (VTL)	
Joint venture Partner**	Nisshinbo Textile Inc., Japan	
A Associate of Holding Company*	Vardhman Yarns and Threads Limited, India	
Subsidiary of Joint Venture**	Naigai Shirts Co. Ltd, Japan Nisshinbo Shanghai Co .Ltd., China	
Subsidiary of Holding Company	VMT Spinning Company Limited. Vardhman Special Steel Company Limited Vardhman Acrylics Limited	
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

*Vardhman Textiles Ltd. is holding company w.e.f. 23rd Jan'19 and it was Joint Venture partner till that date.

** Related party relation is ceased w.e.f 23rd Jan'19 as Nisshinbo Textiles INC .Japan is not a Joint Venture partner wef 23rd Jan'19.

(iii) Transactions with related parties:

(Amounts in Lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Short-term borrowings taken during the year		
Vardhman Textiles Limited	500.00	250.00
Short-term borrowings repaid during the year		
Vardhman Textiles Limited	Nil	250.00
Interest expense on short-term borrowings		
Vardhman Textiles Limited	114.36	89.72
Interest paid on short-term borrowings		
Vardhman Textiles Limited	89.71	92.30
Expenses paid on behalf of the others		
Vardhman Textiles Limited	7.76	16.46
Expenses paid by others on behalf of the Company		
Vardhman Textiles Limited	3.45	2.99
Vardhman Textiles Limited	3.36	3.30
Vardhman Yarns and Threads Limited	102.47	100.31



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

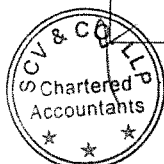
Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Purchase of raw materials		
Vardhman Textiles Limited	2250.39	1596.83
Nisshinbo Shanghai Co .Ltd.	Nil	0.45
Purchase of stores and spares/ capital items		
Vardhman Textiles Limited (capital items)	23.16	0.27
Vardhman Textiles Limited (Store & Spare items)	0.29	Nil
Vardhman Yarns and Threads Limited	43.10	43.77
Nisshinbo Textile Inc.	# Nil	0.94
Vardhman Special Steel Limited	0.29	Nil
Revenue		
Vardhman Textiles Limited	52.67	31.31
Vardhman Yarns and Threads Limited	5.21	2.52
Nisshinbo Textile Inc.	# 166.76	179.70
Vardhman Special Steel Limited	74.28	Nil
VMT Spinning Company Limited	2.60	Nil
Vardhman Acrylics Limited	10.52	Nil
Remuneration paid to Key managerial personnel		
Mr. Anil Sood	8.08	7.60
Remuneration paid to Independent Director		
Ms. Apinder Sodhi	Nil	0.14
Ms. Monika Sethi	Nil	0.14

Transactions with Nisshinbo Textiles INC (Japan) has been considered till 22nd Jan'19 as it ceased to be a related party thereafter.

iv) Balances due from/ to the related parties:

(Amounts in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Short-term borrowings		
Vardhman Textiles Limited	1699.12	1199.12
Interest accrued but not due on short-term borrowings (net of TDS)		
Vardhman Textiles Limited	114.36	80.74
Trade payables		
Vardhman Textiles Limited	500.09	668.12
Vardhman Yarns and Threads Limited	27.54	40.06



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

Particulars	As at 31 March 2019	As at 31 March 2018
Trade receivables Nisshinbo Textile Inc.	42.49	54.04

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.561.53 Lakhs recognized upto current year (previous year Rs. 531.10 Lakhs) in the Statement of Profit and Loss, with a recoverable Rs. 508.11 Lakhs (previous year Rs. 466.65 Lakhs) under the head "Other current assets" in the balance sheet.
- 10% capital subsidy amounting to Rs.53.41 Lakhs (previous year Rs. 53.41 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:

(Amounts in Lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Audit fee (excluding GST)		
- statutory audit	1.00	1.00
-Tax audit fee	0.50	0.50
- TP audit fee	0.40	0.40
- certification work	Nil	Nil
- reimbursement of expenses	0.53	0.11
Total	2.43	2.01



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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:

Particulars	Year ended	<i>(Amounts in Lakhs)</i>						
		India	Belgium	Japan	Korea	USA	Germany	Total
Revenue from sale of products	31 March 2019	5700.20	833.33	232.92	368.01	Nil	Nil	7134.46
	31 March 2018	4617.15	431.74	179.69	550.77	44.09	7.08	5830.54

Revenue from Five major customers amounted to Rs.4880.94 Lakhs aggregating to 68.41% of total revenue during the year ended 31 March 2019 (Rs. 3671.21 Lakhs aggregating to 62.96% of total revenue during the year ended 31 March 2018. Further, sales amount of Rs.3721.89 lacs made to customers is more than 10% of total sales amount during financial year ending 31st March'19 and Rs. 2534.26 during year ending 31st March '18.

The company has business operations only in India and does not hold any non-current asset outside India.

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.

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Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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

Change in Defined Benefit Obligation:

(Amounts in Lakhs)

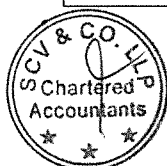
Particulars	As at 31 March 2019	As at 31 March 2018
Present Value of Defined benefit obligation at the beginning of the year	58.44	54.56
Current service cost	17.26	16.82
Interest cost	4.50	4.01
Actuarial (gains) / losses	(3.97)	(11.08)
Benefits paid	(12.09)	(5.87)
Present Value of Defined benefit obligation at the end of the year	64.14	58.43

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

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Actuarial gain / (loss) for the year – obligation	3.97	11.08
Actuarial gain / (loss) recognized in the year	3.97	11.08

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

Particulars	As at 31 st March 2019	As at 31 st March 2018
Present value of obligation as at the end of the year	64.14	58.43
Fair value of plan assets as at the end of the year	Nil	Nil
Funded / (unfunded) status	(64.14)	(58.43)
Unrecognized actuarial (gains) / losses at the end of the year	Nil	Nil
Net assets / (liability) recognised in Balance Sheet	(64.14)	(58.43)



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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

(Amounts in Lakhs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Current service cost	17.26	16.82
Past service cost	Nil	Nil
Interest cost	4.50	4.01
Expected return on plan assets	Nil	Nil
Total amount recognized in statement of Profit and loss	21.76	20.83

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

Economic assumptions	As at 31 March 2019	As at 31 March 2018
Discount rate	7.65%	7.71%
Expected rate of salary increase	6.00%	6.00%
Expected rate of return on plan assets	Nil	Nil

Demographic assumptions	As at 31 March 2019	As at 31 March 2018
Retirement age	58 years	58 years
Mortality table	IALM (2006-08) ultimate	IALM (2006-08) ultimate
Withdrawal rates	5%	5%

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

Particulars	As at 31 March 2019	As at 31 March 2018
Discount Rate		
0.50% Increase	(3.53)	(3.32)
0.50% decrease	3.87	3.65
Future Salary increase		
0.50% Increase	3.91	3.69
0.50% decrease	(3.60)	(3.39)



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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

(G) Maturity profile of defined benefit obligation:

(Amounts in Lakhs)

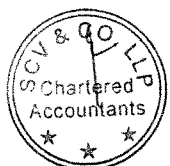
Particulars	As at 31 March 2019	As at 31 March 2018
Within 1 year	2.46	2.16
1-5 year	9.03	9.16
Beyond 5 years	52.65	47.11

(H) Expected contribution for the next Annual reporting period is Rs. 28.11 lakhs (Previous year Rs. 27.14 Lakhs)

39. The details relating to micro, small and medium enterprises are as hereunder:

Particulars	For the year ended 31 st March 2019	For the year ended 31 st March 2018
(a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year	Nil	Nil
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
(c) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year	Nil	Nil
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

Note: The amounts have been determined to the extent such parties have been identified on the basis of information available with the company.



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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.

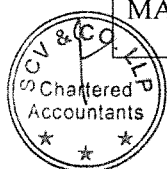
The components of net deferred tax assets are as follows:- *(Amounts in Lakhs)*

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred tax liabilities (a)		
Property Plant and Equipments	288.71	283.60
Total	288.71	283.60
Deferred tax assets		
Provision for leave encashment	5.14	5.08
Provision for gratuity	19.19	18.05
Provision for doubtful debts and advances	5.84	5.79
Provision for bonus	6.19	Nil
Brought forward losses and unabsorbed depreciation	557.58	619.18
Deferred government grant	Nil	9.63
Total	593.94	657.75
Deferred tax assets restricted to deferred tax liabilities (b)	288.71	283.60
Net deferred tax assets before Mat credit entitlement [(c)=(a)-(b)]	Nil	Nil
MAT Credit Entitlement (d)	43.80	Nil
Net deferred tax assets after Mat credit entitlement [(c)+(d)]	43.80	Nil

(a) Unrecognised deferred tax assets:

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

Particulars	As at 31 March 2019	As at 31 March 2018
Tax losses including unabsorbed depreciation #	305.23	374.15
MAT credit entitlement	-	4.38



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Notes to Accounts for the year ended 31 March 2019

The expiration of unused tax losses is up to financial year 2021-22 and there is no expiry of unabsorbed depreciation.

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

Particulars	Current Year	Previous Year
Accounting profit before tax	125.66	27.30
Add:		
1/5th of transition amount	98.03	98.02
Provision for doubtful debt	-	-
Re measurements of the defined benefits plans recognized in OCI	3.97	11.08
Less:		
Re measurements of the defined benefits plans recognized in OCI	-	-
Provision for doubtful debt written back	Nil	(13.38)
Unabsorbed depreciation	Nil	(101.29)
Book Profit	227.65	21.73
Tax @ 19.24% (previous year @ 19.055%)	43.80	4.38

Note: The increase in tax rate is consequent to changes made in the Finance Act, 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:



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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:

(Amounts in FC) (in Lakhs)

Particulars	As at 31 st March 2019	As at 31 st March 2018
(a) Exposure on account of Financial Assets		
(i) Trade receivables		
-In USD	0.89	2.63
-In EURO	Nil	0.04
(b) Amount hedged through Forwards and Options related to Financial Assets		
-In USD	0.41	Nil
-In EURO	Nil	Nil
c) Net Exposure to Foreign Currency Risk related to Financial Assets (a)-(b)		
-In USD	0.48	2.63
-In EURO	Nil	0.04



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Notes to Accounts for the year ended 31 March 2019

d) Exposure on account of Financial Liabilities		
(i) Trade Payables		
-In USD	0.01	0.16
-In JPY	Nil	0.42
e) Amount hedged through Forwards and Options related to Financial Liabilities		
-In USD	Nil	Nil
-In JPY	Nil	Nil
f) Net Exposure to Foreign Currency Risk related to Financial Liabilities (d)-(e)		
-In USD	0.01	0.16
-In JPY	Nil	0.42
(g) Net exposure to foreign currency risk (assets) (c-f)	Nil	Nil
-In USD	0.47	2.47
-In JPY	Nil	0.42
-In EURO	Nil	0.04

The following significant exchange rates applied during the year:

Particulars	2018-19 (Average exchange rate)	2017-18 (Average exchange rate)	2018-19 (Year end rates)	2017-18 (Year end rates)
INR/USD	69.89	65.00	69.16	65.17
INR/JPY	Nil	0.60	Nil	0.61
INR/EURO	Nil	80.81	Nil	80.81



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Notes to Accounts for the year ended 31 March 2019

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:

(Amounts in FC.) (in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
10% Strengthening/weakening of USD against INR	3.25	16.12
10% Strengthening/weakening of JPY against INR	Nil	0.02
10% Strengthening/weakening of EURO against INR	Nil	0.36

(ii) Investment Risk

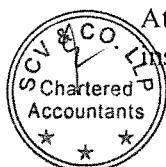
The company has not made any investment hence it is not exposed to investment risk.

(iii) Interest Rate Risk

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

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

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



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Notes to Accounts for the year ended 31 March 2019

(Amounts in Lakhs)

Variable rate instruments	As at 31 March 2019	As at 31 March 2018
Long term borrowings	Nil	720.00
Current maturities of long term debt	720.00	492.00
Short term borrowings	2462.87	2000.18

Fixed rate instruments	As at 31 March 2019	As at 31 March 2018
Liability component of 10% non cumulative preference shares term borrowings	667.87	607.15

Cash flow sensitivity analysis for variable rate instruments

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

Particulars	31 March 2019	31 March 2018
Increase/ (decrease) in 100 basis point	31.83	32.12

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:



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

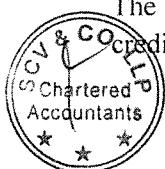
(Amounts in Lakhs)

Particulars	As at 31st March 2019	As at 31st March 2018
Long Term Borrowings including current maturity of long term debts (Carrying amount)	1387.87	1819.15
Less Than 1 Year	720.00	492.00
1 to 2 Years	Nil	720.00
3 to 5 Years	667.87	607.15
Short Term Borrowings (Carrying amount)	2462.87	2000.18
Less Than 1 Year	2462.87	2000.18
1 to 2 Years	-	-
3 to 5 Years	-	-
Trade Payables (Carrying amount)	844.91	903.52
Less Than 1 Year	844.91	903.52
1 to 2 Years	-	-
3 to 5 Years	-	-
Other Financial liabilities (Carrying amount)	305.76	211.02
Less Than 1 Year	305.76	211.02
1 to 2 Years	-	-
3 to 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



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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.

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

(Amounts in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
(a) Revenue from top five customers		
- Amount of sales	4880.94	3671.21
-% of total sales	68.41	62.96

Credit Risk Exposure

The following table gives the detail regarding credit risk exposure from expected credit loss of customer balances.

Particulars	As at 31 March 2019	As at 31 March 2018
(b) Allowance for expected credit losses		
-Balance at the beginning of the period	15.21	28.59
-Impairment loss recognized	Nil	Nil
-Amount written off	Nil	13.39
-Balance at the end of the period	15.21	15.21

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



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

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

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

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

(Amounts in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018
Borrowings	3850.74	3819.33
Less: Cash and cash equivalents	(0.06)	(0.39)
Net debt (A)	3850.68	3818.95
Total equity	697.62	567.99
Capital and Net debt (B)	4548.30	4386.94
Gearing ratio (A/B*100)	84.66%	87.05%

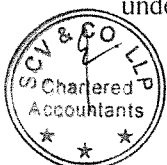
Further, there have been no such breaches in the financial covenants of any interest-bearing loans and borrowings in the current period which would have permitted the bank to immediately call loans and borrowings.

There were no changes in the objectives, policies or processes for managing capital during the year ended 31 March 2019 and 31 March 2018.

- 42 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.

44. Recent Accounting pronouncements

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019

& Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application. Certain practical expedients are available under both the methods.

On completion of evaluation of the effect of adoption of Ind AS 116, the Company is proposing to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (April 1, 2019). Accordingly, comparatives for the year ended March 31, 2019 will not be retrospectively adjusted. The Company has elected certain available practical expedients on transition.

The Company has evaluated the effect of this on the financial statements and the impact is not material.

Amendment to Ind AS 19 'Employee Benefits'

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company does not have any impact on account of this amendment.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments :

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or



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Notes to Accounts for the year ended 31 March 2019

loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –

- i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019 and has decided to adjust the cumulative effect in equity on the date of initial application i.e. April 1, 2019 without adjusting comparatives.

The effect on adoption of Ind AS 12 Appendix C would be insignificant in the financial statements.

Amendment to Ind AS 12 – Income taxes :

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes.

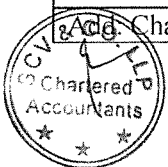
The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date for application of this amendment is annual period beginning on or after April 1, 2019. The Company is currently evaluating the effect of this amendment on the standalone financial statements.

45. 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'.

(Amounts in Lakhs)

Particulars	Year ended 31st March 2019		Year ended 31st March 2018	
	Non current Borrowings (incl current maturities)	Current Borrowings	Non current Borrowings (incl current maturities)	Current Borrowings
A. Borrowings from banks				
Balance at the beginning of the period	1212.00	801.07	1702.13	431.69
Changes during the period				



Vardhman Nisshinbo Garments Company Limited

Notes to Accounts for the year ended 31 March 2019


(a) changes from financing cash flows	(492.00)	(37.32)	(490.13)	369.38
(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	720.00	763.75	1212.00	801.07
A. Deposits from body corporates				
Balance at the beginning of the period	-	1199.12	-	1199.12
Add: Changes during the period				
(a) changes from financing cash flows	-	500.00		
(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	-	1699.12	-	1199.12

As per our report of even date attached

For SCV & Co. LLP

Chartered Accountants

Firm Registration No.:000235N/N500089

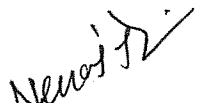

(Sanjiv Mohan)
Partner

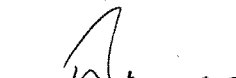
Membership No.:086066



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 : 06 May 2019


Anil Sood
Chief Financial Officer

Place: Ludhiana

Date:06 May 2019