

SANMAR ENGINEERING SERVICES LIMITED

Annual Report 2017–18



Regd Office:
9 Cathedral Road
Chennai 600 086 India
Tel + 91 44 2812 8500
www.sanmargroup.com
CIN U65993TN1995PLC030445

Notice of Annual General Meeting

NOTICE is hereby given that Twenty Third Annual General Meeting of the Members of Sanmar Engineering Services Limited will be held on Friday, the 28th September 2018 at 10.00 A.M. at the Registered Office of the Company at 9, Cathedral Road, Chennai 600 086, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt:
 - a) the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2018, together with the Reports of the Board of Directors and the Auditors thereon; and
 - b) the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2018 together with the Report of Auditors thereon.
2. To appoint a Director in the place of Mr S Sankaran who retires by rotation at this meeting and is eligible for re-appointment.

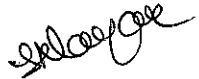
NOTE:

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE MEETING.

Registered Office :
9, Cathedral Road
Chennai 600 086

4th September 2018

By order of the Board


SATYA NARAYAN NAYAK
Company Secretary
Membership No.ACS-18677

SANMAR ENGINEERING SERVICES LIMITED

Directors Report

The Directors have pleasure in presenting their Twenty Third Annual report along with the accounts for the year ended 31st March 2018.

Corporate Results

	2018	2017
	(In Rs. Million)	
Revenue from operations and other income	194.46	120.38
Profit/(Loss) before interest, depreciation and taxes	20.26	59.71
Depreciation	0.00	0.02
Interest and Finance Costs	2,610.82	2,675.02
Profit/ (loss) before tax	(2,590.56)	(2,698.31)
Tax Expense		
Income Tax for earlier years	0.93	--
Profit/ (loss) after Tax	(2,591.49)	(2,698.61)

In view of the losses incurred, the Directors do not recommend dividend on equity shares for the year 2017-18. The Directors also do not recommend any transfer to reserves.

Operations

Net Sales and other Income increased by 62% in the current year as compared to the previous year. This growth was primarily on account of increase in Exports by 482% to TCI Sanmar Chemicals, SAE, Egypt for its project requirements and increased spares procurement. The domestic in-plant maintenance service income during the current year was higher by 17%. The Other income during the year was considerably lower than in the previous year'.

In September 2017, the Company had acquired the entire equity shares of Kalamkriya Limited (now known as Chemplast Cuddalore Vinyls Limited),

Performance of Subsidiaries:

Chemplast Sanmar Limited (Chemplast)

2017-18 was another historic year for Chemplast. The year witnessed record profits, surpassing the previous high achieved in 2016-17. Chemplast achieved a turnover of Rs.3,148 Crores as against Rs. 2931 Crores in the previous year. Chemplast achieved earned an all time record profit before tax of Rs.393.22 crores (before exceptional items) for the year ended 31st March 2018, an increase of 7% compared to the previous year profit before tax of

Rs.367.05 crores. Post taxes and exceptional items, the net profit of the company is Rs.178.63 crores as against Rs 149.94 crores achieved in 2016-17.

During 2016-17, the company had acquired Plant & Machinery and other assets including Knowhow to produce 17000 MT of Hydrogen Peroxide (100% concentration). These assets have since been dismantled, transported and relocated at Mettur. The project is expected to be commissioned by third quarter of 2018-19.

Chemplast recorded fifty glorious years of existence and the Golden Jubilee event was celebrated in a grand manner on 4th May 2017.

Sanmar Speciality Chemicals Limited (SSCL):

The total sales of SSCL were Rs.6,673 Lacs for the year 2017-18 as against Rs. 6,014 Lacs in the previous year. SSCL's profit before tax was Rs.1,053.04 Lacs in the year under report.

The Organic Chemicals division at Berigai makes intermediates for various chemicals for Pharmaceutical and Agrochemical applications. The division registered an increase in sales by 11 % during the year mainly driven by strong demand from various end customers.

The Phyto Chemicals division at Berigai supplies Active Pharmaceutical Ingredients for Pharmaceutical applications. During the year, the operation of this division was suspended due to adverse market conditions.

Chemplast Cuddalore Vinyls Limited (Formerly Kalamkriya Limited)

The operations of Chemplast Cuddalore Vinyls Limited (Formerly Kalamkriya Limited) for the year resulted in a loss before tax of Rs.228.64 Lacs and loss after tax of Rs. 227.96 Lacs.

In April 2018, the name of Kalamkriya Limited was changed to Chemplast Cuddalore Vinyls Limited.

TCI Sanmar Chemicals SAE, Egypt (TCI):

During the year 2017-18 TCI achieved net sales of USD 190.23 Million as compared to USD 126.2 million in the previous year. The operational profit (EBITDA) of USD 36.19 million in the financial year 2017-18 is substantially higher as compared to USD 2.12 million in the financial year 2016-17. Loss before tax for the year was lower at USD 44.15 Million as compared to USD 85.75 Million in the financial year 2016-17.

The USD 280 Million expansion project of TCI involving setting up a new PVC plant with 200 ktpa capacity (taking the total capacity to 400 ktpa) and a plant to produce 130 ktpa of Calcium Chloride Granules, are nearing mechanical completion. The roll out of production in these facilities is expected to during September 2018. Ramping up of production will happen thereafter.

With the commissioning of the phase 2 expansion project in the financial year 2018-19, it is expected that the sale and operational profit will improve substantially

Other Subsidiaries:

The other Subsidiary Companies of the Company as on 31st March 2018 i.e. SHL Securities (Alpha) Limited, Sanmar Holdings Limited, Sanmar Group International Limited, Sanmar Overseas Investments AG, are investment holding companies and other than investments interse or in the three operating companies mentioned above, have no other businesses or investments in other entities or significant other assets. Extract of the financial statements of these subsidiaries are furnished in Form AOC-1 attached to the financial statement.

Finance

Your company has established a good track record with the bankers and financial institutions, thereby enjoying their full confidence.

Credit Rating:

Brickworks Ratings India Private Limited has assigned "BWR BBB-" (pronounced as BWR Triple B minus) to the Non Convertible Debentures issued by the Company.

Change in the Nature of Business:

There was no change in the nature of business of the Company during the financial year.

Risk Assessment and Management

The Company has a well defined Risk Management System. The System ensures that all risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, legal, regulatory, IT, reputational and other risks are identified, impact assessed, mitigation plans are drawn up and these plans are effectively implemented.

Internal Control Systems

Adequate internal controls, systems, and checks are in place, commensurate with the nature of the Company's business and size. The management exercises financial control on the operations through a well defined budget monitoring process and other standard operating procedures.

Internal audit for the year 2017-18 was carried out by PKF Sridhar & Santhanam LLP, Chartered Accountants, Chennai, covering all significant areas of operations. All significant observations of the Internal Auditors are placed before the Board together with corrective actions

The Internal Auditors monitor and evaluate the efficacy and adequacy of internal control in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of Internal Auditors, the management undertakes appropriate corrective action in their respective areas.

Internal Financial Control Over Financial Reporting

The Company has in place adequate internal financial controls with reference to the Financial Statements. Such controls have been assessed during the year taking into consideration the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by The Institute of Chartered Accountants of India. Based on the results of such assessment carried out by management, no reportable material weakness or significant deficiencies in the design or operation of internal financial controls was observed.

Deposits

During the year under review, the Company has not accepted any public deposit within the meaning of the provisions of Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 and as on 31st March 2018, the Company did not have any outstanding public deposit.

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

Particulars of investments under Section 186 of the Companies Act, 2013 are given in the Notes forming part of the Financial Statements for the year ended 31st March 2018.

The Company has not given any loans or provided guarantees under the provisions of Section 186 of the Companies Act, 2013.

Subsidiary/ Associate Companies:

During the year under review Kalamkriya Limited (now known as Chemplast Cuddalore Vinyls Limited) became subsidiary of the Company.

The following companies are the subsidiaries of the Company during the year by virtue of Explanation (a) to Section 2(87) of the Companies Act, 2013.

SHL Securities (Alpha) Limited
Sanmar Holdings Limited
Sanmar Group International Limited
Sanmar Speciality Chemicals Limited
Chemplast Sanmar Limited
Sanmar Overseas Investments AG, Switzerland
TCI Sanmar Chemicals S.A.E, Egypt

During the financial year 2017-18, as a part of restructuring of overseas companies, Pharaoh International Limited, Cayman Islands merged with Pharaoh Egyptian Holdings Limited, Cayman Islands. Pharaoh Egyptian Holdings Limited, Cayman Islands, Pharaoh Consolidations Limited, Cayman Islands and Pharaoh Egyptian Investments Limited, Cayman Islands merged with Sanmar Overseas Investments AG, Switzerland. Hence Pharaoh International Limited, Pharaoh Egyptian Holdings Limited, Pharaoh Consolidations Limited and Pharaoh Egyptian Investments Limited ceased to be the subsidiaries of the Company and TCI Sanmar Chemicals SAE became a direct subsidiary of Sanmar Overseas Investments AG.

Particulars of contracts or Arrangement under Section 188 of the Companies Act, 2013

During the year under review, the contracts or arrangements with related parties did not attract the provisions of Section 188 of the Companies Act, 2013.

Significant and Material Orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the company

There were no significant and material orders passed by the Regulators or Courts or Tribunals which would impact the going concern status of the company and Company's operations in future.

Material Changes and Commitment affecting the financial position of Company that occurred after 31st March 2018

No material changes and commitments affecting the financial position of the Company has occurred between 1st April 2018 and the date of this report.

Directors and Key Managerial Personnel

Mr S Sankaran retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

Subsequent to the close of the financial year, Mr Harsha Raghavan resigned from the Board. The Directors place on record their appreciation of his valuable contributions as director of the company.

Mr N Muralidharan resigned from the position of chief financial officer with effect from close of 31st March 2018 and Mr V Subramanian, a member of the Institute of Chartered Accountants of India has been appointed as chief financial officer (key managerial personnel) of the Company with effect from 1st April 2018.

The Independent Directors have submitted declarations stating that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Pursuant to the provisions of Section 203 of the Companies Act, 2013 read with the rules thereunder, the Key managerial Personnel of the Company are Mr P S Jayaraman, Chairman and Chief Executive Officer, Mr V Subramanian, Chief Financial Officer and Mr Satya Narayan Nayak Company Secretary.

Directors' Responsibility Statement

To the best of our knowledge and belief and according to the information and explanations obtained by us, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013.

- a) In the preparation of the annual accounts for the year ended 31st March 2018 the applicable accounting standards have been followed by the company.
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2018 and of the loss of the company for the year ended that date.
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) The accounts of the company have been prepared on a going concern basis.

- e) The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Number of Board Meetings

During the year, the Board of Directors met five times.

Audit Committee

The Audit Committee of Directors consists of the following Directors:

Mr S V Mony, Chairman
Mr P S Jayaraman
Mrs Lavanya Venkatesh

The composition of the Audit Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 read with the rules thereunder. The scope of the activities of the Audit Committee is as set out in Section 177 of the Companies Act, 2013.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following directors:

Mr S Sankaran, Chairman
Mr S V Mony
Mrs Lavanya Venkatesh

The composition of the Committee is in compliance with the provisions of Section 178 of the Companies Act, 2013. The Committee adheres to the provisions of the Companies Act, 2013 read with Rules thereunder in terms of its functioning, roles and powers.

The Company's Policy on appointment of Directors and Remuneration policy is attached as Annexure 3 to this Report and forms part of this Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out evaluation of its own performance, the directors individually and evaluation of working of the committees of the Board during the financial year 2016-17. As per the criteria laid down by Nomination and Remuneration Committee, the evaluation process contained various aspects of the functioning of the Board and its

committees, number of committees and their roles, frequency of meetings, level of participation, and independence of judgement, performance of duties and obligations.

The Board expressed its satisfaction of the performance of all the directors, Board and its committees which reflected the overall engagement of the directors, the Board and its committees with the Company.

Personnel

Employee relations remain cordial throughout the year. The Directors look forward to continued support from employees in the years to come.

Particulars of employees

There was no employee drawing remuneration in excess of the limits prescribed under Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

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

During the year, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism Policy to deal with an instance of fraud or mismanagement, if any.

The Company had adopted an ethical code of conduct for the highest degree of transparency, integrity, accountability and corporate social responsibility. Any actual or potential violation of the Code would be a matter of serious concern for the Company.

This policy has been formulated with a view:

- To provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee, any instance of unethical behaviour, actual or suspected fraud or violation of the Company's Ethics Policy.
- To safeguard the confidentiality and interest of such employees / other persons dealing with the Company against victimization, who notice and report any unethical or improper practices, and
- To appropriately communicate the existence of such mechanism, within the organization and to outsiders.

- No personnel has been denied access to the Chairman of the Audit Committee in respect of reporting any of above instances.

Corporate Social Responsibility

The provisions of the Companies Act, 2013 and the rules framed thereunder, relating to Corporate Social Responsibility are not applicable to the Company.

Auditors

Prasad & Srinath, chartered accountants, Chennai (firm registration No.005826S) were appointed as statutory auditors of the company at the 22nd Annual General Meeting (AGM) held on 28th September 2017, for a period of 5 (five) years commencing from the conclusion of 22nd AGM till the conclusion of the 27th AGM, subject to ratification by the members at every AGM to be held during this period. As per the amended provisions of Section 139, notified by Ministry of Corporate Affairs (MCA) which came into force from 7th May 2018, the requirement of ratification of appointment of Auditors at every AGM subsequent to their appointment, has been dispensed with.

Accordingly, Prasad & Srinath, chartered accountants, Chennai, continues to be the statutory auditors of the company till the conclusion of 27th AGM, as approved by shareholders at 22nd AGM held on 28th September 2017.

Cost Records:

Pursuant to Section 148(1) of the Companies Act, 2013 and rules thereunder, the Company is not required to maintain cost records/ accounts.

Secretarial Audit Report

Pursuant to provisions of Section 204 of the Companies Act, 2013 read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, your company engaged the services of Dr B Ravi, Company Secretary in Practice, Chennai to conduct the Secretarial Audit of the Company. The Report is annexed herewith as Annexure 4 and forms part of this Report.

Secretarial Standards

The Board confirms compliance with the Secretarial Standards notified by the Institute of Company Secretaries of India, New Delhi and applicable to the Company.

Extract of Annual Return

An extract of Annual Return in Form MGT-9 as on 31st March 2018 is attached as Annexure 2 to this Report and forms part of this Report.

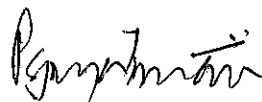
Other Particulars

Additional information on conservation on energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules 2014 is set out in Annexure 1 and forms part of this Report.

Place: Chennai

Date: September 4, 2018

For and on behalf of the Board



P S Jayaraman

Chairman

DIN: 00011108

Annexure 1

Information under Section 134(3)(m) of the Companies Act, 2013 forming part of the Directors' Report for the year ended March 31, 2018.

1. CONSERVATION OF ENERGY

Not Applicable

2. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards : Not applicable
technology absorption, adaptation
and innovation
2. Benefits derived as a result of the : Not applicable
above efforts, e.g. product
improvement, cost reduction,
import substitution, etc
3. In case of imported technology, : Not applicable
(imported during the last 5 years
reckoned from the beginning of
the financial year), following
information may be furnished.

a. Technology Imported

b. Year of import

c. Has technology been fully
absorbed

d. If not fully absorbed, areas
where this has not taken place,
reasons therefore and future
plans of action

3. Research and Development

1. Specific areas in which R & D : Nil
carried out by the Company
2. Benefits derived as a result of : Nil
the above R & D
3. Future plan of action : -
4. Expenditure on R & D : Nil

- A) Capital
- B) Recurring
- C) Total
- D) Total R & D expenditure as a
percentage of total turnover

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. Million)

a. Foreign exchange outgo	Nil
b. Foreign exchange earnings	141.23

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2018

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the
Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:		
1	CIN	U65993TN1995PLC030445
2	Registration Date	10-March-1995
3	Name of the Company	Sanmar Engineering Services Limited
4	Category/Sub-category of the Company	Public Limited Company having share capital
5	Address of the Registered office & contact details	9 Cathedral Road Cathedral Road 600086 TEL: 044 2812 8722 EMAIL: snn1@sanmargroup.com
6	Whether listed company	Yes. Non Convertible Debentures issued by the Company are listed in the wholesale debt market segment of BSE Limited.
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Integrated Registry Management Services Private Limited Kences Towers, No.1, Ramakrishna Street, T Nagar, Chennai 600017. Tel: 044 2814 0801-03

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY			
(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)			
S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Repair and maintenance of pumps and related equipment, fluid power equipment, valves	33122	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES					
SN	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Greenvally Investments (Alpha) Limited	U65991TN1991PTC021008	Holding Company	70.00%	2(46)
2	Chemplast Cuddalore Vinyls Limited	U24100TN1991PLC020589	Subsidiary	100.00%	2(87)
3	SHL Securities (Alpha) Limited	U65991TN1990PLC019237	Subsidiary	100.00%	2(87)**
4	Sanmar Holdings Limited	U65993TN1979PLC007711	Subsidiary	100.00%	2(87)**
5	Sanmar Speciality Chemicals Limited	U24299TN1982PLC009443	Subsidiary	100.00%	2(87)**
6	Chemplast Sanmar Limited	U24230TN1985PLC011637	Subsidiary	99.00%	2(87)**
7	Sanmar Group International Limited	U24119TN2002PLC048677	Subsidiary	77.93%	2(87)**
8	Sanmar Overseas Investments AG *	NA	Subsidiary	100.00%	2(87)**
9	TCI Sanmar Chemicals SAE*	NA	Subsidiary	100.00%	2(87)**

* Company incorporated outside India

** Companies being subsidiaries of the Company by virtue of Explanation (a) to Section 2(87) of the Companies Act, 2013.

IV. SHARE HOLDING PATTERN

(Equity share capital breakup as percentage of total equity - Equity Shares of face value of Rs.10 each)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2017]				No. of Shares held at the end of the year [As on 31-March-2018]				% Change during the year
	Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Bodies Corporate*	5,29,995	-	5,29,995	70.00%	5,29,995	-	5,29,995	70.00%	0.00%
e) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Any other	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (1)	5,29,995	-	5,29,995	70.00%	5,29,995	-	5,29,995	70.00%	0.00%
(2) Foreign									
a) NRI Individuals	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Other Individuals	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) Bodies Corp.	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) Any other	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub Total (A) (2)	-	-	-	0.00%	-	-	-	0.00%	0.00%
TOTAL (A)	5,29,995	-	5,29,995	70.00%	5,29,995	-	5,29,995	70.00%	0.00%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
b) Banks / FI	-	-	-	0.00%	-	-	-	0.00%	0.00%
c) Central Govt	-	-	-	0.00%	-	-	-	0.00%	0.00%
d) State Govt(s)	-	-	-	0.00%	-	-	-	0.00%	0.00%
e) Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
f) Insurance Companies	-	-	-	0.00%	-	-	-	0.00%	0.00%
g) FIs	-	-	-	0.00%	-	-	-	0.00%	0.00%
h) Foreign Venture Capital Funds	-	-	-	0.00%	-	-	-	0.00%	0.00%
i) Others (specify)	-	-	-	0.00%	-	-	-	0.00%	0.00%
Sub-total (B)(1):-	-	-	-	0.00%	-	-	-	0.00%	0.00%

2. Non-Institutions									
a) Bodies Corp.									
i) Indian		-	-	0.00%		-	0.00%	0.00%	
ii) Overseas	2,27,143	-	2,27,143	30.00%	2,27,143	-	2,27,143	30.00%	0.00%
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh*		5	5	0.00%		5	5	0.00%	0.00%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh			-	0.00%			-	0.00%	0.00%
c) Others (specify)									
Non Resident Indians			-	0.00%		-	0.00%	0.00%	
Overseas Corporate Bodies			-	0.00%		-	0.00%	0.00%	
Foreign Nationals			-	0.00%		-	0.00%	0.00%	
Clearing Members			-	0.00%		-	0.00%	0.00%	
Trusts			-	0.00%		-	0.00%	0.00%	
Foreign Bodies - D R			-	0.00%		-	0.00%	0.00%	
Sub-total (B)(2):-	2,27,143	5	2,27,148	30.00%	2,27,143	5	2,27,148	30.00%	30.00%
Total Public (B)	2,27,143	5	2,27,148	30.00%	2,27,143	5	2,27,148	30.00%	30.00%
C. Shares held by Custodian for GDRs & ADRs			-	0.00%				0.00%	0.00%
Grand Total (A+B+C)	7,57,138	5	7,57,143	100.00%	7,57,138	5	7,57,143	100.00%	30.00%
* 5 Equity Shares held by 6 nominees of a body corporate. ✓									

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares*	% of total Shares of the company	% of Shares Pledged/encumbered to total shares	No. of Shares*	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Greenvalley Investments (Alpha) Ltd*	5,30,000	70.00%	70.00%	5,30,000	70.00%	70.00%	0.00%

** Includes 5 equity shares held as nominees of Greenvalley Investments (Alpha) Limited

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Greenvalley Investments (Alpha) Ltd*						
	At the beginning of the year			5,30,000	70.00%	5,30,000	70.00%
	Changes during the year			No change during the financial year 2017-18.			
	At the end of the year			5,30,000	70.00%	5,30,000	70.00%

(iv) Shareholding Pattern of top ten Shareholders*(Other than Directors, Promoters and Holders of GDRs and ADRs):*

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	FIH Mauritius Investments Limited			-	0.00%		0.00%
	At the beginning of the year			2,27,143	30.00%	-	0.00%
	Changes during the year			No change during the financial year 2017-18			
	At the end of the year			2,27,143	30.00%	2,27,143	30.00%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Satya Narayan Nayak** Company Secretary						
	At the beginning of the year			-	0.00%	-	0.00%
	Changes during the year			1	0.00%	1	0.00%
	At the end of the year			1	0.00%	1	0.00%

** Holding 1 equity share as a nominee of Greenvalley Investments (Alpha) Limited. There is no beneficial shareholding interest in these shares.

V. Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. Rs./Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3,20,266.06		-	3,20,266.06
ii) Interest due but not paid	-			-
iii) Interest accrued but not due	15,967.50	-	-	15,967.50
Total (i+ii+iii)	3,36,233.56	-	-	3,36,233.56
Change in Indebtedness during the financial year				
* Addition	19,671.79		-	19,671.79
* Reduction		-		
Net Change	19,671.79	-	-	19,671.79
Indebtedness at the end of the financial year				
i) Principal Amount	3,20,612.11		-	3,20,612.11
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	35,293.24	-	-	35,293.24
Total (i+ii+iii)	3,55,905.35	-	-	3,55,905.35

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD/WT/ Manager	Total Amount
	Name	NIL	
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission - as % of profit - others, specify		
5	Others (Contribution to PF and Gratuity)		
	Total (A)		
	Ceiling as per the Act		

B. Remuneration to other Directors

SN.	Particulars of Remuneration	Name of Directors			Total
					(Rs/Lac)
1	Independent Directors	NIL			
	Fee for attending board/ committee				-
	Commission				-
	Others, please specify				-
	Total (1)				-
2	Other Non-Executive Directors	NIL			
	Fee for attending board/ committee				-
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)	-	-	-	-
	Total (B)=(1+2)	-	-	-	-
	Total Managerial Remuneration				-
	Overall Ceiling as per the Act				

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN.	Particulars of Remuneration	Name of Key Managerial Personnel	Total Amount
	Name	NIL	
	Designation		
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission - as % of profit - others, specify		
5	Others (contribution to PF and Gratuity)		
	Total		

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY : N.A.					
Penalty					
Punishment					
Compounding					
B. DIRECTORS : N.A.					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT : N.A.					
Penalty					
Punishment					
Compounding					

Policy on appointment of Directors and Remuneration policy:

The Company's policy on Directors appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and policy relating to remuneration for the directors, Key Managerial Personnel and other Senior Executives of the Company as approved by the Nomination and Remuneration Committee of Directors and by the Board of Directors, is set out hereunder.

(a) Appointment of Directors

The Nomination and Remuneration Committee of Directors of the Company (the Committee) shall recommend to the Board of Directors, for appointment as Directors, persons who have the background and experience relevant for the Company's operations. In so recommending the Committee may taken to account factors such as understanding of the Company's business, dynamics, educational and professional background, personal and professional ethics, integrity and values.

The proposed appointee shall also fulfill the following requirements:

1. Shall possess a Director Identification Number.
2. Shall not be disqualified under the Companies Act, 2013.
3. Shall give his written consent to act as a Director.
4. Shall endeavor to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings.
5. Shall abide by the Code of Conduct established by the Company for Directors and Senior Management Personnel.
6. Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made.
7. Such other requirements as may be prescribed, from time to time under the Companies Act, 2013 and other relevant laws.

(b) Criteria of Independence

The Committee shall assess the independence of Directors at the time of appointment and re-appointment. Independence shall also be re-assessed when any new interests or relationships are disclosed by Director. The criteria of independence laid down by the Companies Act, 2013 shall be guiding factor. Independent Director shall abide by the Code for Independent Directors as specified in Schedule IV of the Companies Act, 2013.

(c) Remuneration Policy

The Company's Remuneration Policy shall be in keeping with the following objectives:

- (i) Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the company successfully.
- (ii) Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
- (iii) Ensuring that remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

(d) Remuneration to Whole-time Directors

The Board on the recommendation of this Committee, shall review and approve the remuneration payable to the Whole-time Directors of the Company within the overall limits approved by the Shareholders.

The remuneration structure to the Whole-time Directors shall comprise of:

- (i) Basic pay,
 - (ii) Allowances,
 - (iii) Retiral benefits, and
 - (iv) Performance related payments
- (e) Remuneration to other employees including Key Managerial Personnel

Employees shall be assigned grades according to their qualifications and work experience, competences as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2018

*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

The Members of
SANMAR ENGINEERING SERVICES LIMITED
(CIN: U65993TN1995PLC030445)
9, Cathedral Road,
Chennai- 600 086

Dear members,

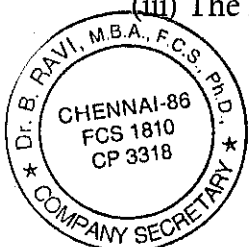
I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SANMAR ENGINEERING SERVICES LIMITED (CIN: U65993TN1995PLC030445)** (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2018** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2018** according to the provisions of:

- (i) the Companies Act 2013 (to the extent Sections and Schedules notified) and the rules made thereunder including Amendment, Circulars, Notifications and Removal of Difficulties Order issued by the Ministry of Corporate Affairs from time to time;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

B. Ravi

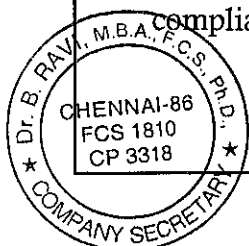


- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') as amended to the extent applicable:-

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (was not applicable to the Company during the period under review)
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (was not applicable to the Company during the period under review)
- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (was not applicable to the Company during the period under review)
- d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; (was not applicable to the company during the period under review)
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (was not applicable to the Company during the period under review)
- f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (was not applicable to the Company during the period under review)
- g) The Securities and Exchange Board of India (Buyback of Securities), Regulations, 1998; (was not applicable to the Company during the period under review)
- h) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993; (was not applicable to the Company during the period under review)
- i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. (to the extent applicable for listing of debt securities)
- j) The Company is not required to comply with any Industry Specific Laws and the rules, regulations framed thereunder as there exists no such industry specific laws as are applicable to them.

I further report that based on the information received, explanations given, process explained, records maintained, statutory compliance and statutory internal audit reports submitted to the Board, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable labour laws, rules, regulations and guidelines.

B. Ram



I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.
- (ii) The Debt Listing Agreement entered into by the Company with BSE Limited;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and also have the requisite Key Managerial Personnel appointed. The changes in the Key Managerial Personnel that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance as per the Articles of Association of the Company and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

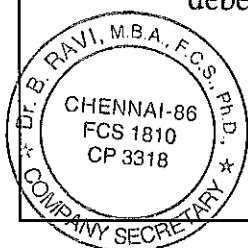
All decisions were carried out unanimously. Where ever the meetings were convened at shorter notice, the requirement of the act has been duly complied with.

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

I further report that during the audit period, the Company:

- At the Extra ordinary General Meeting held on 16.09.2017, consent of the members by way of special resolution was accorded for making investments in the equity shares of Kalamkriya Limited* not exceeding Rs 35,10,000/-
- At the Board Meeting held on 15.09.2017, approval was obtained for sale of the Company's entire shareholding of 50,000 equity shares of Rs 10/- each in SHL Securities (Alpha) Limited to Kalamkriya Limited* and for the purchase of 50,000 equity shares of Rs 10/- each in the capital of Kalamkriya Limited* from Sanmar Consolidations Limited for a consideration of Rs 35,00,000/-.
- At the meeting of the Committee of Directors held on 23.03.2018, approval was obtained for
 - Redemption of 66,60,000 Zero coupon compulsorily Convertible unsecured debentures held in SHL Securities Alpha Limited of Rs 100/- each

B. Ravi



Sale of 26,53,95,500 Zero Coupon Compulsorily Convertible Unsecured Debentures held in SHL Securities Alpha Limited of Rs 100/- each to Kalamkriya Limited ([now known as Chemplast Cuddalore Vinyls Limited]*)

-
- At the meeting of the Committee of Directors held on 30.03.2018, approval was obtained for
 - investing in the equity shares of Kalamkriya Limited* amounting to Rs 299,95,00,000/- by subscribing 29,99,50,000 equity shares of Rs 10/- each
 - investing in Zero Coupon Compulsorily Convertible Unsecured Debentures to be issued by Kalamkriya Limited* amounting to Rs 23,56,30,50,000/- comprising of 23,56,30,500 ZCCCD of Rs 100/- each at par.

Place : Chennai
Date : 04.09.2018

Signature: *B. Ravi*
Name of Company Secretary in practice: Dr. B. RAVI
FCS No.: 1810 C P No.: 3318

Dr. B. RAVI, M.B.A., F.C.S., Ph.D.,
COMPANY SECRETARY
GURU NILAYAM
Old No.16, New No. 42 Rathinam Street
Gopalapuram, Chennai - 600 086
FCS 1810 CP 3318

Independent Auditor's Report**To the members of Sanmar Engineering Services Limited****Report on the Ind AS financial statements**

We have audited the accompanying Ind AS financial statements of **Sanmar Engineering Services Limited** (the "Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "Ind AS financial statements").

Management's responsibility for the Ind AS financial statements

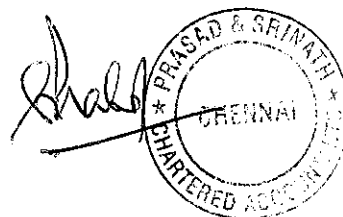
The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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



Independent Auditor's Report
To the members of Sanmar Engineering Services Limited

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

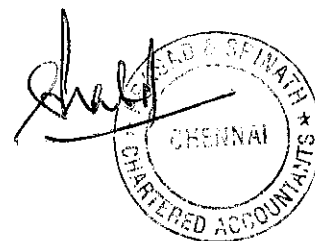
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its financial performance including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance sheet, Statement of Profit and Loss including other comprehensive income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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 2" to this report.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i The Company does not have any pending litigations which would impact its financial position.
 - ii The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **PRASAD & SRINATH**

Chartered Accountants

Firm Registration Number: 005826S



S Prasad

Partner

Membership No. 12847

Place: Chennai

Date: May 25, 2018



ANNEXURE - 1 referred to in paragraph 1 of the section on report on legal and regulatory requirements in our report of even date.

Re: Sanmar Engineering Services Limited ("the Company")

- (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of its fixed assets.
- (b) The fixed assets have been physically verified during the year by the management and no discrepancies between the book records and the physical inventory have been noticed.
- (c) The Company had no immovable properties during the year.
- (ii) The Company did not hold inventory during the year. Accordingly paragraph 3(ii) is not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register required under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, provisions of Section 185 and 186 of the Companies Act, 2013 have been complied with in respect of loans and advances given, investments made, guarantees and securities given.
- (v) The Company has not accepted any deposits from the public within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(5) of the Order are not applicable .
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Companies Act, 2013 for the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess, goods and services tax and any other statutory dues applicable to it. According to the information and explanations given to us, there were no outstanding undisputed dues in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess, goods and service tax and any other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no outstanding dues in respect of income tax or sales tax or service tax or customs duty or excise duty or value



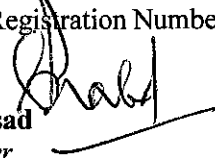
added tax or goods and service tax which have not been deposited with the appropriate authorities on account of any dispute.

- (viii) The Company has not defaulted in repayment of dues to financial institutions, banks and debenture-holders. The Company did not have any outstanding loans or borrowings from the banks or financial institutions or government during the year.
- (ix) The Company has not raised any money during the year by way of initial public offer / further public offer. Term loans raised during the year were used for which they were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the Ind AS financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of Section 197 read with Schedule V of the Act is not applicable to the Company for the current year as there is no managerial person and hence paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, paragraph 3(xii) of the Order is not applicable.
- (xiii) There are no transactions with related parties which attract the provisions of section 177 and 188 of the Companies Act 2013. Details of related party transactions have been disclosed in the notes to the Ind AS financial statements as required by the applicable accounting standards.
- (xiv) The Company has complied with the requirements of Section 42 of the Companies Act 2013 in respect of the private placement of the non-convertible debentures and the amounts raised have been used for the purpose for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

for **PRASAD & SRINATH**

Chartered Accountants

Firm Registration Number: 005826S

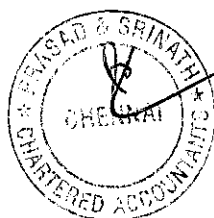

S Prasad

Partner

Membership No. 12847

Place: Chennai

Date: May 25, 2018



ANNEXURE - 2 to the Independent Auditor's Report of even date on the Ind AS financial statements of Sanmar Engineering Services Limited

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

To the Members of Sanmar Engineering Services Limited

We have audited the internal financial controls over financial reporting of Sanmar Engineering Services Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

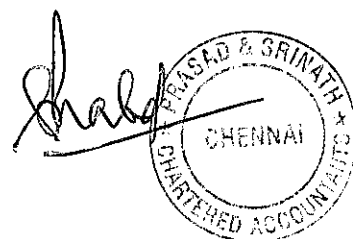
The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial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

Auditor's Responsibility

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

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

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

The block contains a handwritten signature in black ink, which appears to be 'Shalini', written over a circular stamp. The stamp is from the Institute of Chartered Accountants of India, Chennai, and contains the text 'PRASAD & SRINATH' and 'CHENNAI'.

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 Ind AS 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 Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

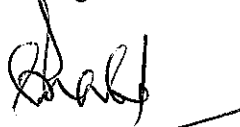
Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For PRASAD & SRINATH

Chartered Accountants

Firm Registration Number: 005826S



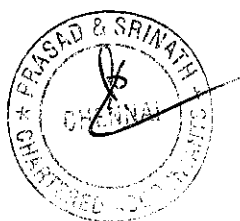
S PRASAD

Partner

Membership Number: 12847

Place of Signature: Chennai

Date: May 25, 2018

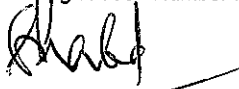


Sanmar Engineering Services Limited
Statement of Profit and Loss for the year ended March 31, 2018
(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

Particulars	Notes	Year ended March 31, 2018	Year ended March 31, 2017
Revenue			
Revenue from operations	4	1934.92	656.10
Other income	5	9.64	547.69
Total Income		1944.56	1203.79
Expenses			
Purchase of traded goods	6	1361.94	229.39
Employee benefits expense	7	244.50	187.28
Other expenses	8	135.49	190.02
Depreciation	13	0.04	0.21
Finance costs	9	26108.21	27580.01
Total Expenses		27850.18	28186.91
Profit / (Loss) before tax		(25905.62)	(26983.12)
Tax expense:			
Current Tax		-	-
Income Tax relating to earlier years	10	9.30	-
Deferred Tax		-	-
Profit / (Loss) after tax		(25914.92)	(26983.12)
Other Comprehensive Income:			
Items that will not be reclassified to Profit or Loss in subsequent periods			
- Remeasurement of Defined Benefit Plans	11	(0.71)	(2.98)
- Income tax expense relating to above items		-	-
Total Other Comprehensive Income		(0.71)	(2.98)
Total Comprehensive Income		(25915.63)	(26986.10)
Basic and Diluted Earnings per share (equity shares, par value Rs 10/- each)	12		
Basic		(3,422.72)	(3,608.30)
Diluted		(3,422.72)	(3,608.30)

Statement on Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Statement of Profit and Loss
This is the Statement of Profit and Loss referred to in our report of even date

for **Prasad & Srinath**
Chartered Accountants
Firm Registration Number : 005826S



S Prasad
Partner
Membership No : 12847

for and on behalf of the Board of Directors
Sanmar Engineering Services Limited



P S Jayaraman
Chairman
DIN: 00011108

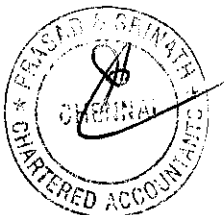
S Sankaran
Director
DIN 00009172

Lavanya Venkatesh
Director
DIN 07191585


V Subramanian
Chief Financial Officer


Satya Narayan Nayak
Company Secretary

Place : Chennai
Date : May 25, 2018



Sanmar Engineering Services Limited
Balance Sheet as at March 31, 2018

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

Particulars	Notes	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
ASSETS				
Non-current assets				
Property, plant and equipment	13	0.03	0.03	0.03
Financial Assets				
(i) Investments	14	265660.50	272060.54	45582.70
(ii) Other Financial Assets	15	1.56	1.56	0.56
Non-current tax assets (net)		222.45	200.21	143.03
		<u>265884.54</u>	<u>272262.34</u>	<u>45726.32</u>
Current assets				
Financial Assets				
(i) Investments	16	74.00	-	-
(ii) Trade Receivables	17	386.68	266.77	146.41
(iii) Cash and cash equivalents	18	89.35	305.95	24.04
(vi) Other Financial Assets	19	60.42	645.21	13.37
Other current assets	20	105.26	10.55	7.03
		<u>715.71</u>	<u>1228.48</u>	<u>190.85</u>
Total assets		<u>266600.25</u>	<u>273490.82</u>	<u>45917.17</u>
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	21	75.71	75.71	53.00
Other Equity	22	(89829.06)	(63913.42)	(37569.57)
Total equity		<u>(89753.35)</u>	<u>(63837.71)</u>	<u>(37516.57)</u>
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Borrowings	23	355905.35	336233.56	74130.77
(ii) Other Financial Liabilities	24	2.62	6.46	3.26
Other non-current liability	25	137.33	137.33	29.37
		<u>356045.30</u>	<u>336377.35</u>	<u>74163.40</u>
Current liabilities				
Financial Liabilities				
(i) Trade Payables	26	107.54	104.58	70.34
(ii) Other financial liabilities	27	78.59	668.44	43.99
Other current liabilities	28	97.97	172.68	9150.53
Current Tax Liability (net)		24.20	5.48	5.48
		<u>308.30</u>	<u>951.18</u>	<u>9270.34</u>
Total liabilities		<u>356353.60</u>	<u>337328.53</u>	<u>83433.74</u>
Total equity and liabilities		<u>266600.25</u>	<u>273490.82</u>	<u>45917.17</u>

Statement on Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Balance Sheet. This is the Balance Sheet referred to in our report of even date

for Prasad & Srinath

Chartered Accountants

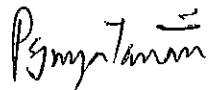
Firm Registration Number : 005826S


S Prasad

Partner

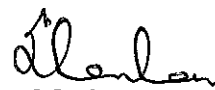
Membership No : 12847

for and on behalf of the Board of Directors

Sanmar Engineering Services Limited

P S Jayaraman

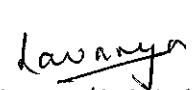
Chairman

DIN: 00011108


S Sankaran

Director

DIN 00009172


Lavanya Venkatesh

Director

DIN 07191585


V Subramanian

Chief Financial Officer


Satya Narayan Nayak

Company Secretary

Place : Chennai

Date : May 25, 2018



Sanmar Engineering Services Limited

Statement of Cash Flows for the year ended March 31, 2018

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

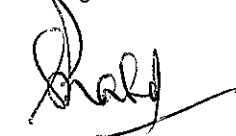
	Year ended March 31, 2018	Year ended March 31, 2017
A. CASH FLOW FROM OPERATING ACTIVITIES :		
NET PROFIT BEFORE TAX	(25905.62)	(26983.12)
Adjustments for:		
Depreciation and amortisation	0.04	0.21
Unrealised foreign exchange differences	(2.62)	2.28
Interest and finance charges	26108.21	27580.01
Interest received	(4.23)	(242.37)
Share of income from partnership firm	(1.29)	(305.25)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	194.49	51.76
Adjustments for changes in:		
Trade and other receivables	369.35	(757.34)
Trade and other payables	(584.26)	(2001.06)
CASH GENERATED FROM OPERATIONS	(20.42)	(2706.63)
Income taxes paid (net)	(12.82)	(57.18)
NET CASH FROM OPERATING ACTIVITIES	(33.24)	(2763.81)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and capital advances	(0.04)	(0.22)
Redemption of investments	6400.04	-
Investment in Partnership Firm	(74.00)	-
Purchase of Investments	-	(226477.84)
Share of income from partnership firm	1.29	305.25
NET CASH FROM / USED IN INVESTING ACTIVITIES	6327.29	(226172.81)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of long-term borrowings	-	(55000.00)
Proceeds from long-term borrowings	-	321020.00
Proceeds from issue of capital	-	664.96
Interest received	4.23	242.37
Interest and finance charges paid	(6514.88)	(37708.81)
NET CASH USED IN FINANCING ACTIVITIES	(6510.65)	229218.52
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(216.60)	281.91
Cash and cash equivalents at the beginning of the year	305.95	24.04
Cash and cash equivalents at the end of the year	89.35	305.95

Notes: Figures in brackets indicate cash outflow
The accompanying notes are an integral part of the financial statements
This is the Statement of Cash Flows referred to in our report of even date.

for Prasad & Srinath

Chartered Accountants

Firm Registration Number : 005826S



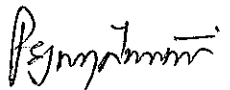
S Prasad

Partner

Membership No : 12847

for and on behalf of the Board of Directors

Sanmar Engineering Services Limited



P S Jayaraman

Chairman

DIN: 00011108



V Subramanian

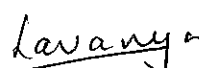
Chief Financial Officer



S Sankaran

Director

DIN 00009172



Lavanya Venkatesh

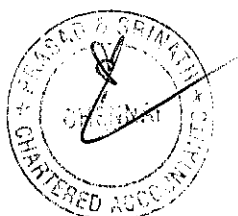
Director

DIN 07191585



Satya Narayan Nayak
Company Secretary

Place : Chennai
Date : May 25, 2018



Sanmar Engineering Services Limited

Statement of changes in equity for the year ended March 31, 2018
(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

	Equity Share capital	Securities premium	Reserves and Surplus	Other Comprehensive Income	Grand Total
			Retained earnings		
Balance at April 01, 2016	53.00	-	(37569.57)	-	(37516.57)
Profit / (Loss) for the year	-	-	(26983.12)	-	(26983.12)
Other comprehensive income for the year, net of income tax	-	-	-	(2.98)	(2.98)
Total comprehensive income for the year	-	-	(26983.12)	(2.98)	(26986.10)
Issue of Share capital	22.71	642.25	-	-	664.96
Balance at March 31, 2017	75.71	642.25	(64552.69)	(2.98)	(63837.71)
Profit / (Loss) for the year	-	-	(25914.92)	-	(25914.92)
Other comprehensive income for the year, net of income tax	-	-	-	(0.71)	(0.71)
Total comprehensive income for the year	0.00	0.00	(25914.92)	(0.71)	(25915.63)
Balance at March 31, 2018	75.71	642.25	(90467.62)	(3.69)	(89753.35)

Statement on Significant Accounting Policies and Notes to the Financial Statements are an integral part of this Statement of Changes in Equity
This is the Statement of changes in equity referred to in our report of even date.

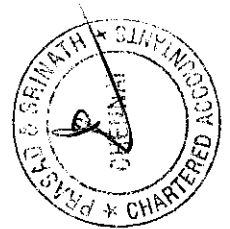
for **Prasad & Srinath**

Chartered Accountants

Firm Registration Number : 005826S

S Prasad
Partner

Membership No : 12847



Place : Chennai

Date : May 25, 2018

for and on behalf of the Board of Directors
Sanmar Engineering Services Limited

P S Jayaraman
Chairman
DIN: 00011108

S Sankaran
Director
DIN 00009172

Lavanya Venkatesh
Director
DIN 07191585

V Subramanian
Chief Financial Officer

Satya Narayan Nayak
Company Secretary

Sanmar Engineering Services Limited

Notes forming part of the financial statements for the year ended March 31, 2018

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

1 Corporate Information

Sanmar Engineering Services Limited ("the Company") is a public limited company incorporated and domiciled in Chennai. The registered office is located at Cathedral Road, Chennai. Greenvalley Investments (Alpha) Limited holds 70% of Sanmar Engineering Services Limited's equity share capital and has the ability to control its operating and financial policies while FIH Mauritius Investments Limited holds 30% of equity share capital. The Company is engaged in comprehensive onsite maintenance contracts for certain engineering products, accessories and equipment and trading in some engineering products and investment activities.

2 Basis of preparation

2.1 Statement of compliance

The Company has prepared separate financial statements in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 read with Companies (Indian Accounting Standards) Rules 2016, notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

The financial statements upto and for the year ended March 31, 2017 were prepared in accordance with the Companies (Accounting Standards) Rules, 2006, notified under Section 133 of the Act read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP) and other relevant provisions of the Act.

As these are the first financial statements prepared in accordance with Indian Accounting Standards (Ind AS), Ind AS 101, First time adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 35.

The financial statements have been prepared on a historical cost basis, except for the following financial assets and liabilities which are measured at fair value (also refer accounting policy regarding financial instruments):

a. derivative financial instruments

The financial statements are presented in INR and are rounded off to the nearest lakh, except when otherwise indicated. These financial statements were authorised for issue by the Company's Board of Directors on 25th May, 2018.

2.2 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

Based on the nature of products/activities, the Company has determined its operating cycle as twelve months for the above purpose of classification as current and non-current.

2.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability
- The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



The Company has an established control framework with respect to the measurement of fair values. The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the Company assesses the evidence obtained from the third parties to support the conclusion that these valuation meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

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 indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair values of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfer between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- ▶ Disclosures for valuation methods, significant estimates and assumptions (note 37)
- ▶ Quantitative disclosures of fair value measurement hierarchy (note 30.9)
- ▶ Investment in unquoted equity shares (note 31)

3 Significant Accounting Policy

3.1 Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange prevailing as on the date of the respective transactions. Monetary assets and liabilities denominated in foreign currency are converted at contracted / year end rates as applicable. Exchange differences arising on settlement / conversion are adjusted in the Statement of Profit and Loss. Realised gains or losses on cancellation of forward contracts are recognised in the Statement of Profit and Loss of the year in which they are cancelled. Exchange differences are recognised in profit or loss.

3.2 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. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method and other valuation models.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.2.1 Financial Assets

i. Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

ii. Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as:

- a. Debt instruments at amortised cost;
- b. Derivatives and equity instruments at fair value through profit or loss (FVTPL);
- c. Investment in Subsidiaries, jointly-controlled entities and associates

a. Debt instruments at amortised cost;

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 30.7.1.

b. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 30.9.

c. Investment in Subsidiaries, jointly-controlled entities and associates

Investment in subsidiaries, jointly-controlled entities and associates are carried at cost in the Separate Financial Statements as permitted under Ind AS 27.

3.2.1.1 Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure.

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in Credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets, the Company determines that whether there has been a significant increase in the Credit risk since initial recognition. If Credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if Credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, Credit quality of the instrument improves such that there is no longer a significant increase in Credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected Credit losses resulting from all possible default events over the expected life of a financial instrument. ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR. When estimating the cash flows, the Company is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other Credit enhancements that are integral to the contractual terms

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the P&L. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off Criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in Credit risk and impairment loss, the Company combines financial instruments on the basis of shared Credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in Credit risk to be identified on a timely basis.

3.2.1.2 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3.2.2 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument as per Ind-AS 32.

3.2.2.1 Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.2.2.2 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings:

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings. For more information refer Note 30.2.2.

3.2.2.3 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit and loss. Fair value is determined in the manner described in note 30.9.

3.2.2.4 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.2.3 Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.2.4 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense / income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) but does not consider the expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.2.5 Derivative financial instruments

Initial recognition and subsequent measurement

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3.3 Property, plant and equipment

Recognition and measurement

Property, Plant & Equipment are valued at cost model net of accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price, including duties and non-refundable taxes, costs that are directly relatable in bringing the assets to the present condition and location. Investment properties are measured initially at cost, including transaction costs. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

Depreciation is calculated on the useful lives stipulated under Schedule II of the Companies Act, 2013, on a straight-line basis over the estimated useful lives of the assets as follows:

Particulars	Useful life
Plant and equipment	1 year - 25 years
Vehicles	3 years - 6 years
Office equipments	3 years - 5 years
Furniture and fixtures	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.4 Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises all applicable costs incurred for bringing the inventories to their present location and condition and include appropriate overheads wherever applicable.

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

3.5 Retirement and Employees' benefits

Short term employees' benefits including accumulated compensated absence are recognized as an expense as per the Company's Scheme based on expected obligations on undiscounted basis. The present value of other long-term employees benefits are measured on a discounted basis as per the requirements of Ind AS 109.

Post Retirement benefits comprise of employees' provident fund and gratuity which are accounted for as follows:

Provident Fund:

This is a defined contribution plan and contributions made to the fund are charged to revenue. The Company has no further obligations for future provident fund benefits other than annual contributions.

Gratuity:

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 to 30 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company make annual contributions to gratuity funds administered by Life Insurance Corporation of India. The liability is determined based on the actuarial valuation using projected unit credit method as at Balance Sheet date.

Remeasurement comprising actuarial gains and losses and the return on assets (excluding interest) relating to retirement benefit plans, are recognized directly in other comprehensive income in the period in which they arise. Remeasurement recorded in other comprehensive income is not reclassified to statement of profit and loss.

Termination benefits are recognised only when the Company has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

3.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks. The Company has assumed that recovery of excise duty flows to the Company on its own account. This is for the reason that it is a liability of the manufacturer which forms part of the cost of production, irrespective of whether the goods are sold or not. Since the recovery of excise duty flows to the Company on its own account, revenue includes excise duty. However, sales tax/ value added tax (VAT) / Goods and Service Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

Sale of goods:

Revenue from sale of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on despatch of products to customers.. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Share of income from partnership firm

Share of income from partnership firm is recognized on receipt of the partnership firm's audited statement of profit and loss account for the year, disclosing the respective share of income after income tax.

Service Income

Service income is recognised when services are rendered in accordance with agreements entered into with customers.

Interest income

For all debt instruments measured either at amortised cost, interest income is recorded using the effective interest rate (EIR).

3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 April 2016, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Company as a lessor:

A lease is classified at the inception date as a finance lease or an operating lease. Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee.

Company as a lessee:

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in Finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease charges are charged to Statement of Profit and loss on straight line basis over the lease term.

3.8 Taxes

Income Tax

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



Deferred tax

Deferred tax is accounted for using the liability method by computing the tax effect on the tax bases of temporary differences at the reporting date. Deferred tax is calculated at the tax rates enacted or substantively enacted by the Balance Sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of any unused tax losses and unabsorbed depreciation. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

Current tax / deferred tax relating to items recognised outside the statement of profit and loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax / deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.9 Cash and cash equivalents

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

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

3.10 Provisions and contingencies

Provisions are recognised when the Company has a present obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.12 Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. 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.



3.13 Impairment of non-financial assets:

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

3.14 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holder of the company by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



Sanmar Engineering Services Limited**Notes to financial statements for the period ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

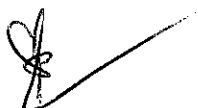
	Year ended March 31, 2018	Year ended March 31, 2017
4 Revenue		
Revenue from the sale of goods	1412.33	242.70
Revenue from the rendering of services	471.31	403.29
Other Operating revenue		
Revenue from export incentives	51.28	10.11
	1934.92	656.10
Details of Products Sold		
Mechanical seals	289.01	141.05
Butterfly Valves & Spares	51.97	-
Gate, Globe & Check Valves & Spares	401.36	-
Safety valves	70.20	9.72
Rupture disks	24.39	57.55
On/Off valves	575.40	34.38
	1412.33	242.70
5 Other income		
Share of Income from Partnership firm	1.29	305.25
Provisions no longer required written back	4.12	-
Interest Income	4.23	242.37
Miscellaneous income	-	0.07
	9.64	547.69
6 Purchase of traded goods		
Inventory of materials and consumables at the beginning of the year	-	-
Add: Purchases	1361.94	229.39
Less: Inventory of materials and consumables at the end of the year	-	-
	1361.94	229.39
Details of Purchases - Traded Goods		
Mechanical seals	270.88	131.94
Butterfly Valves & Spares	50.88	-
Gate, Globe & Check Valves & Spares	388.07	-
Safety valves	68.74	9.33
Rupture disks	22.60	55.55
On/Off valves	560.78	32.57
	1361.95	229.39



Sanmar Engineering Services Limited**Notes to financial statements for the period ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

	Year ended March 31, 2018	Year ended March 31, 2017
7 Employee benefits expense		
Salaries and wages	228.66	176.03
Gratuity	3.97	2.64
Contribution to provident fund	7.58	6.35
Staff welfare expenses	4.29	2.26
	<u>244.50</u>	<u>187.28</u>
8 Other expenses		
Rent	0.12	0.12
Insurance	0.05	0.17
Rates and taxes	2.34	47.03
Repairs and maintenance		
- Others	1.70	0.50
Information Technology Expenses	12.85	14.21
Bad debts	25.91	2.16
Travelling and conveyance	42.46	32.71
Legal & professional expenses	28.91	75.58
Difference in foreign exchange (net)	5.03	5.71
Payment to auditor	3.72	3.96
Miscellaneous expenses	12.40	7.87
	<u>135.49</u>	<u>190.02</u>
9 Finance costs		
Interest on loans	26102.66	27503.52
Other finance costs	0.82	0.62
Finance Charges	4.73	75.87
	<u>26108.21</u>	<u>27580.01</u>
Payment of auditors		
Statutory audit	1.76	1.76
Tax audit	0.50	0.50
Other services	1.46	1.70
	<u>3.72</u>	<u>3.96</u>



Sanmar Engineering Services Limited

Notes to financial statements for the period ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

	Year ended March 31, 2018	Year ended March 31, 2017
10 Income taxes		
<i>Income tax recognized in profit or loss</i>		
Current tax	-	-
Income tax related to earlier years	9.30	-
Deferred tax expense recognized in the current year (net)	-	-
Total income tax expense recognized in the current year	<u>9.30</u>	<u>-</u>

The income tax expense for the year can be reconciled to the accounting profit as follows:

Profit/(Loss) before tax	(25905.62)	(26983.12)
Adjustments in respect to current income tax of previous years	9.30	0.00
	<u>9.30</u>	<u>0.00</u>
Income tax expense recognized in profit or loss	<u>9.30</u>	<u>0.00</u>

11 Components of Other Comprehensive Income (OCI)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended 31 March 2018	Retained Earnings	Total
Re-measurement gains (losses) on defined benefit plans	(0.71)	(0.71)
During the year ended 31 March 2017		
Re-measurement gains (losses) on defined benefit plans	(2.98)	(2.98)

12 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of Equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity holders of the parent (after adjusting for interest on the convertible preference shares, if any) by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year ended March 31, 2018	Year ended March 31, 2017
Basic and Diluted earnings per share		
Profit attributable to equity holders	(25914.92)	(26983.12)
Earnings used in the calculation of earnings per share	(25914.92)	(26983.12)
Weighted average number of ordinary shares for the purposes of earnings per share	7,57,143	7,47,808
Basic and Diluted earnings per share		
Basic earnings per share	(3,422.72)	(3,608.30)
Diluted earnings per share	(3,422.72)	(3,608.30)




Sanmar Engineering Services Limited
Notes to financial statements for the year ended 31 March 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
14 Investments			
Investments at cost			
Unquoted equity investments	30030.00	5.04	-
Investment in partnership firm	0.00	0.00	-
Investment in Compulsorily Convertible Debentures classified in Chemplast Cuddalore Vinyls Limited (Subsidiary) - Classified as equity	235630.50	272055.50	45582.70
	265660.50	272060.54	45582.70
15 Other non-current financial assets			
Deposits	1.51	1.51	0.51
Other bank balances	0.05	0.05	0.05
	1.56	1.56	0.56
16 Investments at cost			
Investment in partnership firm	74.00	-	-
	74.00	-	-
17 Trade receivables			
Unsecured, considered good			
Dues from related parties	88.15	95.88	57.45
Others	298.53	170.89	88.96
	386.68	266.77	146.41
Trade receivables are non-interest bearing and are generally on terms of 10-15 days based on the type of customer.			
18 Cash and cash equivalents			
Bank balances			
-in current account	87.77	305.82	23.78
Cheques on hand	1.29	-	-
Cash on hand	0.29	0.13	0.26
	89.35	305.95	24.04
19 Other current financial assets			
Sundry receivable	39.82	639.75	11.38
Claims receivables	20.60	5.46	1.99
	60.42	645.21	13.37
20 Other current assets			
Prepaid expenses	1.34	1.08	1.37
Balances with Government authorities	103.10	3.95	0.19
Advance given to suppliers	0.82	5.52	5.47
	105.26	10.55	7.03

Sanmar Engineering Services Limited

Notes to financial statements for the period ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

21 Issued, subscribed and paid-up capital

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Share capital	75.71	75.71	53.00
	<u>75.71</u>	<u>75.71</u>	<u>53.00</u>
Authorized capital comprises:			
18, 12 % cumulative redeemable preference shares of Rs 100/- each.	0.02	0.02	0.02
799,820 equity shares of Rs. 10/- each	79.98	79.98	79.98
(Previous year 799,820 Equity shares of Rs.10/- each)			
	<u>80.00</u>	<u>80.00</u>	<u>80.00</u>
Issued capital comprises:			
757,143 equity shares of Rs. 10/- each	75.71	75.71	53.00
(Previous year 757,143 Equity shares of Rs.10/- each)			
	<u>75.71</u>	<u>75.71</u>	<u>53.00</u>

The Company's share capital comprises of ordinary share capital having face value of Rs.10 per share. Each holder is entitled to receive dividends as and when declared, a right to vote in proportion to holding and other rights, preferences and restrictions are governed by the statutory provisions.

a. Reconciliation of shares outstanding at the beginning and at the end of the year

	Number of shares	Share capital
Balance at April 01,2016	5,30,000	53.00
Issued during the year	2,27,143	22.71
Balance at March 31, 2017	7,57,143	75.71
Issued during the year	-	-
Balance at March 31, 2018	7,57,143	75.71

b. Details of shares held by holding company and its subsidiary

70% paid up Equity Share Capital is held by the holding company, Geenvally Investments (Alpha) Limited and its nominees.

C: Rights, Preferences and Restrictions attached to shares

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

In the event of the liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

D: Details of Share holders holding more than 5% shares in the company

	As at March 31, 2018	
	In Nos	% of holding
Geenvally Investments (Alpha) Limited	5,30,000	70
FIH Mauritius Investments Limited	2,27,143	30
	As at March 31, 2017	
	In Nos	% of holding
Geenvally Investments (Alpha) Limited	5,30,000	70
FIH Mauritius Investments Limited	2,27,143	30




Sanmar Engineering Services Limited**Notes to financial statements for the period ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

22 Other Equity

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Retained earnings (Refer A below)	(90467.62)	(64552.69)	(37569.57)
Securities premium	642.25	642.25	-
Other Comprehensive Income	(3.69)	(2.98)	-
	<u>(89829.06)</u>	<u>(63913.42)</u>	<u>(37569.57)</u>
(A) Retained Earnings			
Balances at the beginning of the year	(64552.69)	(37569.57)	
Profit / (Loss) for the year	(25914.92)	(26983.12)	
Balances at the end of the year	<u>(90467.62)</u>	<u>(64552.69)</u>	

Nature and purpose of reserves**Retained earnings**

Represents that portion of the net income of the Company that has been retained by the Company.

Other Comprehensive Income

Other Comprehensive Income is the those revenues, expenses, gains and losses that are excluded from net income from Statement of Profit and Loss. This means that they are listed after net income on the Statement of Profit and Loss.

23 Non Current Borrowings

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Secured – at amortized cost			
Term loan from			
Financial Institutions	146707.85	132907.96	-
Others	-	-	63964.90
Non- Convertible Debentures (B)	209197.50	203325.60	-
Optionally convertible debentures	-	-	10165.87
	<u>355905.35</u>	<u>336233.56</u>	<u>74130.77</u>

Summary of borrowing arrangements**A. Repayment of loans from financial institutions**

Term Loan from HDFC Rs.1220 Crores received during 2016-17 to be repaid as a single instalment on 29th April 2021

B. Repayment of Non-Convertible Debentures

Non-Convertible Debentures of Rs.1990.2 Crores (USD 300 Million) were issued to FIH Private Investments Limited during 2016-17 to be repaid as a single instalment on 22nd April 2023

Note: Repayment schedule indicated above is from the date of drawal of the loan or from the end of moratorium period which ever applicable

Security for borrowing arrangements

The security for the borrowing arrangements comprise:

Hypothecation of Designated Bank Account of the Company ranking pari passu and all rights, title, benefits of the Company under and in respect of the designated bank account and hypothecation of all fixed, tangible, movable properties and assets and current assets of the Company other than those pertaining to engineering assets on pari passu basis.

Pledge of 5,30,000 Equity Shares of Rs.10 each of the Company held by the holding Company, Greenvally Investments (Alpha) Limited and its nominees ranking pari passu.

Pledge of 80,000 Equity Shares of Rs.100 each and 10,77,605 Compulsorily Convertible Preference Shares of Rs.10 each of Sanmar Holdings Limited held by SHL Securities (Alpha) Limited and its nominees ranking pari passu.

The company is in the process of creating pledge on the following shares:

a) Pledge of 30,00,00,000 equity shares of Chemplast Cuddalore Vinyls Limited (erstwhile Kalamkriya Limited) held by the Company and its nominees ranking pari passu.

b) Pledge of 265,40,05,000 equity shares of SHL Securities (Alpha) Limited held by Chemplast Cuddalore Vinyls Limited and its nominees ranking pari passu.

Sanmar Engineering Services Limited

Notes to financial statements for the period ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

24 Other non-current financial liabilities

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Accrued salaries and benefits	2.62	6.46	3.26
	<u>2.62</u>	<u>6.46</u>	<u>3.26</u>

25 Other non-current liabilities

Provision for expenses	134.24	134.24	26.28
Withholding and other tax payables	3.09	3.09	3.09
	<u>137.33</u>	<u>137.33</u>	<u>29.37</u>

26 Trade payables

Dues to related parties	0.05	-	-
Trade payables	107.49	104.58	70.34
	<u>107.54</u>	<u>104.58</u>	<u>70.34</u>

Note :

Includes dues for payment to Micro and Medium enterprises Rs. Nil (Previous year Rs. Nil)

27 Other current financial liabilities

Accrued salaries and benefits	78.59	668.44	43.99
	<u>78.59</u>	<u>668.44</u>	<u>43.99</u>

28 Other current liabilities

Provision for expenses	14.47	10.16	70.24
Other payables	0.09	0.11	8457.59
Withholding and other tax payables	83.41	162.41	622.70
	<u>97.97</u>	<u>172.68</u>	<u>9150.53</u>




Sanmar Engineering Services Limited

Notes to financial statements for the year ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

29 Employee benefit cost

29.1 Defined benefit plans

Gratuity:

This is a defined benefit plan and the Group's Scheme is administered by Life Insurance Corporation of India. The liability is determined based on the actuarial valuation using projected unit credit method as at Balance Sheet date.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at March 31, 2018 by LIC of India.

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	Valuation at		
	March 31, 2018	March 31, 2017	April 01, 2016
	%	%	%
Discount rate(s)	7.50%	8.00%	8.00%
Expected return on plan assets	8.00%	8.00%	8.00%
Expected rate(s) of salary increase	7.50%	8.00%	8.00%
Attrition rate	1%-3%	1%-3%	1%-3%

Cost of defined benefit plans are as follows.

	Year ended March 31, 2018	Year ended March 31, 2017
Current service cost	4.18	2.61
Interest on obligation	2.52	2.03
Expected return on plan assets <i>(to the extent it represents an adjustment to interest cost)</i>	(2.76)	(2.01)
Net cost recognised in the Income Statement	3.94	2.64
Expected return on plan assets <i>(to the extent it does not represent an adjustment to interest cost)</i>	0.12	(0.06)
Actuarial (gains)/losses recognized in the year	0.59	3.04
Net gain recognised in the Other Comprehensive Income	0.71	2.98

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows.

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Present value of funded defined benefit obligation	38.80	31.51	25.44
Fair value of plan assets	41.06	31.70	25.53
Present value of funded defined benefit obligation	(2.26)	(0.19)	(0.10)

Movements in the present value of the defined benefit obligation in the current year were as follows.

Sanmar Engineering Services Limited**Notes to financial statements for the year ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

	Year ended March 31, 2018	Year ended March 31, 2017
Opening defined benefit obligation	31.51	25.44
Current service cost	4.18	2.61
Interest cost	2.52	2.03
Actuarial (gains)/losses	0.59	2.14
Benefits paid	-	(0.71)
Closing defined benefit obligation	38.80	31.51

Movements in the present value of the plan assets in the current year were as follows.

Opening fair value of plan assets	31.70	25.53
Expected return on plan assets	2.64	2.07
Actuarial (gains)/losses	-	(0.90)
Contributions from the employer	6.72	5.71
Benefits paid	-	(0.71)
Closing fair value of plan assets	41.06	31.70

The funds are managed by Insurer.

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation.

The Company expects to make a contribution of Rs.7.32 Lakhs to the defined benefit plans during the next financial year.

The table below outlines the effect on the service cost, the interest cost and the defined benefit obligation in the event of a decrease/increase of 1% in the assumed rate of discount rate and salary escalation:

Change in assumption	Impact on service cost	Impact on interest cost	Impact on defined benefit obligation
Increase in discount rate by 1 %	(0.83)	0.07	(4.00)
Decrease in discount rate by 1 %	1.04	(0.10)	4.77
Increase in salary escalation by 1 %	1.05	0.36	4.78
Decrease in salary escalation by 1 %	(0.84)	(0.31)	(4.08)




30 Financial instruments

30.1 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings (Note 23), cash and cash equivalents (Note 18) and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

Gearing ratio

During the year 2017-18, the Company's strategy was to reduce the dependency on debt. The gearing ratios at March 31, 2018, March 31, 2017 and April 01, 2016 were as follows:

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
Borrowings	355905.35	336233.56	74130.77
Less: Cash and cash equivalents	89.35	305.95	24.04
Net debt	355816.00	335927.61	74106.73
Equity	(89753.35)	(63837.71)	(37516.57)
Total Capital	(89753.35)	(63837.71)	(37516.57)
Gearing Ratio	(3.96)	(5.26)	(1.98)

(i) Debt is defined as long- and short-term borrowings (excluding derivatives), as described in notes 23.

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

30.2 Categories of financial assets & liabilities carried at amortised cost

	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
30.2.1 Financial assets- Amortised Cost			
Cash and cash equivalents (Note 18)	89.35	305.95	24.04
Trade receivables (Note 17)	386.68	266.77	146.41
Other financial assets (Note 15 & 19)	61.98	646.77	13.93
	538.01	1219.49	184.38
30.2.2 Financial liabilities- At amortised cost			
Borrowings (Note 23)	355905.35	336233.56	74130.77
Trade payables (Note 26)	107.54	104.58	70.34
Other financial liabilities (Note 24 & 28)	81.21	674.90	47.25
	356094.10	337013.04	74248.36

30.3 Financial risk management objectives

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investments, loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's activities expose it primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk.

The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

- Create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- Achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

There has been no change to the Company's exposure to market risk or the manner which these risk are managed and measured.

Sanmar Engineering Services Limited**Notes to financial statements for the year ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

30.4 Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, equity price fluctuations, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

30.5 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The currencies, in which these transactions primarily are denominated in American Dollars (USD). The Company may use forward exchange contracts towards hedging risk resulting from changes and fluctuations in foreign currency exchange rate. These foreign exchange contracts, carried at fair value, may have varying maturities varying depending upon the primary host contract requirement and risk management strategy of the company. Exchange rate exposures are managed within approved policy parameters.

30.5.1 Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the functional currency against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a decrease in loss.

Particulars	Change in currency exchange rate	Effect on profit before tax & pre-tax equity	
		Year Ended March 31, 2018	Year Ended March 31, 2017
US Dollars	+10%	8.84	9.35

30.6 Interest rate risk management

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 long-term debt obligations with floating interest rates. The Company monitors the floating rates regularly and analyse the requirement for a mix of floating and fixed interest rate obligations, by the use of interest rate swap contracts. It also uses sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short term loans.

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's:

(i) Loss for the year ended March 31, 2018 would decrease/increase by Rs. 1466 Lakhs (March 31, 2017 PY: decrease/increase by Rs. 1331 Lakhs).

30.7 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience, other publicly available financial information, its own trading records and other factors, where appropriate, as means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across various industries and geographical areas.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

None of the Company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding trade receivables and other receivables, and other loans or receivables that are neither impaired nor past due, there were no indications as at March 31, 2018, that defaults in payment obligations will occur.

Sanmar Engineering Services Limited**Notes to financial statements for the year ended March 31, 2018 – continued**

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

30.7.1 Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on credit term in line with respective industry norms. Outstanding customer receivables are regularly monitored. The Company has no concentration of credit risk as the customer base is widely distributed economically.

The ageing analysis of trade receivables as of the reporting date is as follows:

Particulars	Neither past due nor impaired	Past due but not impaired		Total
		Less than 180 days	More than 180 days	
Trade Receivables as of March 31, 2018	189.58	197.10	-	386.68
Trade Receivables as of March 31, 2017	77.02	189.75	-	266.77

30.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for their financial liabilities. The contractual maturities of the financial instruments have been determined on the basis of earliest date on which the Company can be required to pay.

Particulars	As at March 31, 2018		
	Less than a year	More than a year	Total
Non-interest bearing (including derivatives)	186.13	2.62	188.75
Interest bearing (excluding interest accrued)	-	320612.11	320612.11

Particulars	As at March 31, 2017		
	Less than a year	More than a year	Total
Non-interest bearing (including derivatives)	773.02	6.46	779.48
Interest bearing (excluding interest accrued)	-	320266.06	320266.06

Particulars	As at April 01, 2016		
	Less than a year	More than a year	Total
Non-interest bearing (including derivatives)	114.33	3.26	117.59
Interest bearing (excluding interest accrued)	-	54074.02	54074.02

30.9 Fair value of financial instruments

Financial instruments are carried at amortized cost. In the opinion of the management, the amortized cost of such assets approximate their fair value.

Sanmar Engineering Services Limited
Notes to financial statements for the year ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

31 Details of non current investments:

	As at March 31, 2018		
	Face value of share	No. of shares	Amount Rs.
(I) Equity instruments			
In fully paid up unquoted equity shares In a subsidiary company			
Chemplast Cuddalore Vinyls Limited (Previously Kalamkriya Limited)	10	30,00,00,000	30030.00
(II) Debentures			
a. In zero coupon fully paid up unquoted compulsorily convertible debentures of subsidiary company			
Chemplast Cuddalore Vinyls Limited (Previously Kalamkriya Limited)	100	23,56,30,500	235630.50
	As at March 31, 2017		
(i) Equity instruments			
In fully paid up unquoted equity shares In a subsidiary company			
SHL Securities (Alpha) Limited	10	50,000	5.04
(II) Debentures			
SHL Securities (Alpha) Limited	100	27,20,55,500	272055.50
	As at April 01, 2016		
(II) Debentures			
SHL Securities (Alpha) Limited	100	4,55,82,695	45582.70

(III) In capital of a partnership firm

(Amount in INR)

Mowbrays Corporate Finance

74,00,100

Name of the firm:

Mowbrays Corporate Finance

Total capital:

9,38,40,70,300

Partners	Capital contribution	Capital contribution
	March 31, 2018	March 31, 2017
Chemplast Sanmar Limited	9,27,93,00,100	6,07,18,10,500
Sanmar Speciality Chemicals Limited	9,73,70,100	7,00,00,100
Sanmar Engineering Services Limited	74,00,100	100
	9,38,40,70,300	6,14,18,10,700

Note: Profits of the partnership firm are shared by the partners with positive aggregate daily balances in the proportion of such balances. Losses are shared equally by the partners.

Sanmar Engineering Services Limited
Notes to financial statements for the year ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

32 Segment Reporting
Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under IND AS 108 are therefore as follows.

- Services (sale and repair, testing and reconditioning service of mechanical seals & safety valves)
- Investing

Segment revenues and results

The following is an analysis of the Company's revenue and results by reportable segment.

31-Mar-18					
	Services	Investing	Total Segments	Unallocated / Adjustments	Total
Revenue					
External customer	1934.92	-	1934.92	-	1934.92
Inter-segment	-	-	-	-	-
Total Segment revenue	1934.92	-	1934.92	-	1934.92
Results					
Segment Profit/(loss)	235.66	26,075.14	26310.80	-	26310.80
31-Mar-17					
Revenue					
External customer	656.10	-	656.10	-	656.10
Inter-segment	-	-	-	-	-
Total Segment revenue	656.10	-	656.10	-	656.10
Results					
Segment Profit/(loss)	178.07	27,998.82	28176.90	-	28176.90

Reconciliation of Profits /(Losses)

	Year ended March 31, 2018	Year ended March 31, 2017
Segment profit	26,310.80	28,176.90
Finance costs	(26,108.21)	(27,580.01)
Profit / (Loss) before tax	202.59	596.89

Segment assets and liabilities	31-Mar-18				
	Services	Investing	Total Segments	Unallocated / Adjustments	Total
Segment assets	946.05	265654.20	266600.25	-	266600.25
Segment liabilities	257.34	356096.26	356353.60	-	356353.60
31-Mar-17					
Segment assets	1298.77	272192.05	273490.82	-	273490.82
Segment liabilities	824.61	336503.92	337328.53	-	337328.53

The Company has considered geographical segment as the secondary segment, based on the location of the customers.

Information about the secondary geographical segments

Geographical information

The Company operates in two principal geographical areas – India and Egypt.

	31-Mar-18		
	India	Egypt	Total
Segment revenues	471.31	1412.33	1883.64
Segment assets	266472.29	127.96	266600.25
	31-Mar-17		
	India	Egypt	Total
Segment revenues	403.29	242.70	645.99
Segment assets	272754.73	736.09	273490.82

Sanmar Engineering Services Limited
Notes to financial statements for the year ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

33 Details to be given under Section 186(4) of The Companies Act, 2013

Provided in respective Notes

34 Related party transactions
34.1 a) List of parties where control exists

Greenvalley Investments (Alpha) Limited
Chemplast Cuddalore Vinyls Limited (Previously Kalamkriya Limited)
SHL Securities (Alpha) Limited
SHL Securities (Alpha) Limited
TCI Sanmar Chemicals S.A.E.
Sanmar Speciality Chemicals Limited
Chemplast Sanmar Limited

Nature of relationship

Holding Company
Subsidiary from 19th September 2017
Subsidiary from 18th April 2016
Step-down Subsidiary from 19th September 2017 (Subsidiary upto 18th September 2017)
Step-down Subsidiary From 18th April 2016 (Fellow subsidiary upto 17th April 2016)
Step-down Subsidiary From 18th April 2016 (Fellow subsidiary upto 17th April 2016)
Step-down Subsidiary From 18th April 2016 (Fellow subsidiary upto 17th April 2016)

34.2 b) Jointly Controlled Entities / Associates

FIH Mauritius Investments Limited
FIH Private Investments Limited
Mowbrays Corporate Finance

Associate (From 16th April 2016)
Associate (From 16th April 2016)
Jointly Controlled Entity (From 29th April 2016)

34.3 List of transactions

Relationship / name of the related party	Controlling Parties		Jointly Controlled Entity / Associate / Fellow Subsidiaries	
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
Purchases				
Chemplast Cuddalore Vinyls Limited	0.38	-	-	-
Sale of MEIS Scrips				
Chemplast Sanmar Limited	12.84	-	-	-
Sales				
TCI Sanmar Chemicals S.A.E	1412.33	242.70	-	-
Finance Costs				
FIH Private Investments Limited	-	-	6202.78	5252.06
Sanmar Speciality Chemicals Limited	-	3682.79	-	-
Share of income from partnership firm				
Mowbrays Corporate Finance	-	-	1.29	305.25
Investments made during the year				
Mowbrays Corporate Finance	-	-	74.00	0.00
Greenvalley Investments (Alpha) - Purchase of SHL Securities (Alpha) Limited	-	5.02	-	-
SHL Securities (Alpha) Limited	-	226472.81	-	-
Chemplast Cuddalore Vinyls Limited - Purchase of Chemplast Cuddalore Vinyls Limited Shares	29995.00	-	-	-
Chemplast Cuddalore Vinyls Limited	235630.50	-	-	-
Investments redeemed / transferred during the year				
Chemplast Cuddalore Vinyls Limited - Sale of SHL Securities (Alpha) Limited	5.04	-	-	-
Chemplast Cuddalore Vinyls Limited - transfer of CCD of SHL Securities (Alpha) Limited	272055.50	-	-	-
Issue of non convertible debentures				
FIH Private Investments Limited	-	-	209197.50	203325.60
Balance as at	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Investments	265660.50	272060.54	74.00	0.00
Borrowings	-	-	209197.50	203325.60
Trade and other Receivables	127.96	736.09	-	-
Trade Payables	0.05	-	-	-
Other Payables	-	-	107.96	107.96

Sanmar Speciality Chemicals Limited

Notes to financial statements for the year ended March 31, 2018 – continued

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

35 First time adoption of INDAS

These financial statements, for the year ended 31 March 2018, are the first financial statements the Company has been prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2017, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2018, together with the comparative period data as at and for the year ended 31 March 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2016, being the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2016 and the financial statements as at and for the year ended 31 March 2017.

Exemptions applied:

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

Ind AS 103 Business Combinations has not been applied to acquisitions, which are considered businesses under Ind AS that occurred before 1 April 2016. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Company recognises all assets acquired and liabilities assumed in a past business combination. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Company did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of its Property, Plant and Equipment, Intangible assets and Investment property as recognised in its Indian GAAP financials as deemed cost at the transition date.

As per Ind AS 101, the Company has an option to record the investment on the transition date either at cost as determined in Ind AS 27 or deemed cost (i.e.) Fair Value of investment on the date of transition or previous GAAP cost. Accordingly the Company has elected previous GAAP carrying amount as Cost for its Subsidiary.

Estimates:

The estimates at 1 April 2016 and at 31 March 2017 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2016, the date of transition to Ind AS and as of 31 March 2017.

Effect of the Transition to Ind AS:

Reconciliations of the Company's balance sheets prepared under Indian GAAP and Ind AS as of April 1, 2016 and March 31, 2017 are also presented below. Reconciliations of the Company's income statements for the year ended March 31, 2017 prepared in accordance with Indian GAAP and Ind AS are presented below as well.

36 Standards issued but not effective:

Certain new standards, interpretations and amendments to existing standards have been published by the Ministry of Corporate Affairs ("MCA") that are not yet effective up to the date of issuance of the Company's financial statements. Those which are considered to be relevant to our operations are set out below:

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

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Entities may apply the Appendix requirements on a fully retrospective basis. Alternatively, an entity may apply these requirements prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the Appendix, or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Appendix.

The Appendix is effective for annual periods beginning on or after 1 April 2018. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.



2) Ind AS 115- Revenue from Contract with Customers:

Ind AS 115 was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 April 2018. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. The Company expects to have an insignificant impact on adoption of Ind AS 115.

37 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a. Judgements

In the process of applying the Company's accounting policies, management has not made any judgements, which have significant effect on the amounts recognised in the financial statements.

b. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Defined benefit plans

The cost of the defined benefit gratuity plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about defined benefit obligations are given in Note 29

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30.9 for further disclosures.

Note 6. Employees' benefits obligations

a. Defined contribution plan

Employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employees' salary. The Company recognizes contribution payable to the provident fund scheme as an expenditure, when an employee renders the related service. The Company has no further obligations under the plan beyond its monthly contributions.

b. Defined benefit plan

Gratuity

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy. Fund is maintained with Life Insurance Corporation of India



Sanmar Engineering Services Limited
Notes to financial statements for the year ended March 31, 2018 – continued

38 Reconciliation to Equity

38.1 Equity Reconciliation as at April 01, 2016

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

Particulars	Notes	Previous GAAP*	Ind AS Adjustments	As per Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		0.03	-	0.03
Financial Assets				
(i) Investments		45582.70	-	45582.70
(ii) Other Financial Assets	C	2487.94	(2487.38)	0.56
Non-current tax assets (net)		143.03	-	143.03
		<u>48213.70</u>	<u>(2487.38)</u>	<u>45726.32</u>
Current assets				
Financial Assets				
(i) Trade Receivables		146.41	-	146.41
(ii) Cash and cash equivalents		24.04	-	24.04
(iii) Other Financial Assets	C	768.07	(754.70)	13.37
Other current assets		7.03	-	7.03
		<u>945.55</u>	<u>(754.70)</u>	<u>190.85</u>
Total assets		<u>49159.25</u>	<u>(3242.08)</u>	<u>45917.17</u>
EQUITY AND LIABILITIES				
Equity				
Equity Share capital		53.00	-	53.00
Other Equity	A	(37800.81)	231.24	(37569.57)
Total equity		<u>(37747.81)</u>	<u>231.24</u>	<u>(37516.57)</u>
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Borrowings	C	55000.00	19130.77	74130.77
(ii) Other Financial Liabilities	A & C	18061.70	(18058.44)	3.26
Deferred Tax Liabilities (Net)		29.37	-	29.37
Other non-current liability		<u>73091.07</u>	<u>1072.33</u>	<u>74163.40</u>
Current liabilities				
Financial Liabilities				
(ii) Trade Payables		70.34	-	70.34
(iv) Other financial liabilities	C	10342.16	(10298.17)	43.99
Other current liabilities		3398.01	5752.52	9150.53
Current Tax Liability (net)		5.48	-	5.48
		<u>13815.99</u>	<u>(4545.65)</u>	<u>9270.34</u>
Total liabilities		<u>86907.06</u>	<u>(3473.32)</u>	<u>83433.74</u>
Total equity and liabilities		<u>49159.25</u>	<u>(3242.08)</u>	<u>45917.17</u>

Note: Previous IGAAP figures are reclassified to correspond to Ind AS classifications other than those mentioned in notes.

Sanmar Engineering Services Limited
Notes to financial statements for the year ended March 31, 2018 – continued
38.2 Equity Reconciliation as at March, 2017

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

Particulars	Notes	Previous GAAP*	Ind AS Adjustments	As per Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		0.03	-	0.03
Financial Assets				
(i) Investments		272060.54	-	272060.54
(ii) Other Financial Assets	C	573.10	(571.54)	1.56
Non-current tax assets (net)		200.21	-	200.21
		<u>272833.88</u>	<u>(571.54)</u>	<u>272262.34</u>
Current assets				
Financial Assets				
(ii) Trade Receivables		266.77	-	266.77
(iii) Cash and cash equivalents		305.95	-	305.95
(v) Others Financial Assets		645.21	-	645.21
Other current assets	C	137.68	(127.13)	10.55
		<u>1355.61</u>	<u>(127.13)</u>	<u>1228.48</u>
Total assets		<u>274189.49</u>	<u>(698.67)</u>	<u>273490.82</u>
EQUITY AND LIABILITIES				
Equity				
Equity Share capital		75.71	-	75.71
Other Equity	A & C	(63969.36)	55.94	(63913.42)
Total equity		<u>(63893.65)</u>	<u>55.94</u>	<u>(63837.71)</u>
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Borrowings	C	321020.00	15213.56	336233.56
(ii) Other Financial Liabilities	A	15974.63	(15968.17)	6.46
Other non-current liability		137.33	-	137.33
		<u>337131.96</u>	<u>(754.61)</u>	<u>336377.35</u>
Current liabilities				
Financial Liabilities				
(ii) Trade Payables		104.58	-	104.58
(iv) Other financial liabilities		668.44	-	668.44
Other current liabilities		172.68	-	172.68
Current Tax Liability		5.48	-	5.48
		<u>951.18</u>	<u>-</u>	<u>951.18</u>
Total liabilities		<u>338083.14</u>	<u>(754.61)</u>	<u>337328.53</u>
Total equity and liabilities		<u>274189.49</u>	<u>(698.67)</u>	<u>273490.82</u>

Note: Previous IGAAP figures are reclassified to correspond to Ind AS classifications other than those mentioned in notes.

Sanmar Engineering Services Limited

Statement of Profit and Loss for the year ended March 31, 2017

38.3 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 March 2017

(All amounts are in Indian Rupees in Lakhs unless otherwise stated)

Particulars	Notes	Previous GAAP*	Ind AS Adjustments	As per Ind AS
Revenue				
Revenue from operations		656.10	-	656.10
Other income		547.69	-	547.69
Total Income		1,203.79	-	1,203.79
Expenses				
Cost of materials and services consumed		229.39	-	229.39
Changes in inventories of finished goods		-	-	-
Employee benefits expense	A	190.62	(3.34)	187.28
Other expenses		190.02	-	190.02
Depreciation and amortisation expense		0.21	-	0.21
Finance costs	A&C	27,404.35	175.66	27,580.01
Total Expenses		28,014.59	172.32	28,186.91
Profit / (Loss) before tax		(26,810.80)	(172.32)	(26,983.12)
Tax expense:				
Current Tax		-	-	-
Deferred Tax		-	-	-
Profit / (Loss) after tax		(26,810.80)	(172.32)	(26,983.12)
Other Comprehensive Income:				
Items that will not be reclassified to Profit or Loss in subsequent periods				
- Remeasurement of Defined Benefit Plans	B	-	(2.98)	(2.98)
- Income tax expense relating to above items		-	-	-
Total Other Comprehensive Income		-	(2.98)	(2.98)
Total Comprehensive Income		(26,810.80)	(175.30)	(26,986.10)
Basic and Diluted Earnings per share (equity shares, par value Rs 10/- each)		(3,585.25)		(3,608.30)

Note: Previous IGAAP figures are reclassified to correspond to Ind AS classifications other than those mentioned in notes.




38.4 Notes to reconciliation

A Other financial liabilities

Under IGAAP, the Company recognized the long term employee benefits payable at transaction cost. Under IND AS, the Company has recorded the long term employee benefits at its fair value i.e., present value of benefit expected to be settled at future date.

B Defined benefit obligations

Under IGAAP, the Company recognized actuarial gains/losses and expected rate of return on defined benefit plans in the statement of profit and loss. Under IND AS, the Company has recognized the remeasurement of defined benefit obligations and plan assets in other comprehensive income.

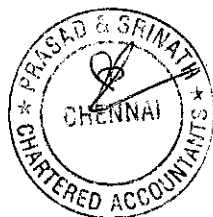
C Borrowings

Under IGAAP, the Company amortized the ancillary borrowing cost over the tenure of the borrowings. Under IND AS, the Company has recorded the borrowings at amortised cost using effective interest rate.

for **Prasad & Srinath**
Chartered Accountants
Firm Registration Number 005826S

S Prasad
Partner
Membership No : 12847

Place : Chennai
Date : May 25, 2018



for and on behalf of the Board of Directors
Sanmar Engineering Services Limited

P S Jayaraman
Chairman
DIN: 00011108

V Subramanian
Chief Financial Officer

S Sankaran
Director
DIN 00009172

Lavanya Venkatesh
Director
DIN 07191585

Satya Narayan Nayak
Company Secretary