

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Welspun Flooring Limited

### **Report on the Audit of the Ind AS Financial Statements**

#### **Qualified Opinion**

We have audited the accompanying Ind AS financial statements of Welspun Flooring Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, 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 notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the 'Basis for Qualified Opinion' section of our report, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2020, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Qualified Opinion**

As more fully described in note 37 to the accompanying Ind AS financial statements, the Company as at March 31, 2020 has recorded Government Grant receivable and corresponding deferred income based on the claim against the Government Order No. 19 dated March 23, 2018 issued by the Cabinet of the Government of Telangana instead of sanctioned amount, though there is lack of reasonable assurance that the balance claim will be sanctioned. This constitutes a departure from the Accounting Standards prescribed under section 133 of the Companies Act, 2013. Pursuant to this, the 'non-current financial assets' and 'other non-current liabilities' as at March 31, 2020 are overstated by Rs. 1,085.86 million. There is no impact on the loss for the year, income tax and on shareholder's fund as at March 31, 2020.

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



## Other Information

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

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

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

## Responsibilities of the Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these 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.

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

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



## Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



## Report on Other Legal and Regulatory Requirements

1. As required by 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 except for the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) Except for the matter described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of 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) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, 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) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may have an adverse effect on the functioning of the Company;
  - (f) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above;
  - (h) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
  - (i) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid/ provided by Company to its directors in accordance with the provisions of section 197 read with Schedule V of the Act;



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Chartered Accountants

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- (j) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For SRBC & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



**per Anil Jobanputra**

Partner

Membership Number: 110759

UDIN: 20110759AAAACU9135

Place of Signature: Mumbai

Date: June 29, 2020



## ANNEXURE 1 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF WELSPUN FLOORING LIMITED

### Re: Welspun Flooring Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company, except for land aggregating to Rs. 896.42 million for which the Company has entered into an agreement for sale with Telangana State Industrial Infrastructure Corporation (TSIIC). As explained to us, the Company is in the process of executing the sale deed with TSIIC.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits 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(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, related to the manufacture yarn and carpet products, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) Undisputed statutory dues including provident fund, employee's state insurance, income-tax, duty of custom, duty of excise, goods and service tax, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.



- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, duty of custom, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, customs duty and goods & service tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to banks. There were no dues payable to debenture holders during the year. The Company has not taken any loan or borrowing from financial institution or government.
- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans for the purposes for which they were raised. No money has been raised by way of initial public offer / further public offer /debt instruments.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud 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 managerial remuneration has been paid/ provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment or private placement of shares and fully convertible debentures. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes 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.



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Independent auditors report for the year ended March 31, 2020

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For SRBC & CO LLP

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per Anil Jobanputra

Partner

Membership Number: 110759

UDIN: 20110759AAAACU9135

Place of Signature: Mumbai

Date: June 29, 2020





## **ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE IND AS FINANCIAL STATEMENTS OF WELSPUN FLOORING LIMITED**

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

We have audited the internal financial controls over financial reporting of Welspun Flooring Limited ("the Company") as of March 31, 2020, 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 with reference to these Ind AS financial statements 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 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 with reference to these Ind AS financial statements 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 over financial reporting with reference to these Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 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 qualified audit opinion on the internal financial controls over financial reporting with reference to these Ind AS financial statements.



## **Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

A company's internal financial control over financial reporting with reference to these Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these Ind AS financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## **Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Ind AS Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to these Ind AS financial statements, 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 with reference to these Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Qualified Opinion**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the operating effectiveness of the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements as at March 31, 2020:

The Company did not have an appropriate internal control system for accruing Government Grant receivable and corresponding deferred income which could potentially result material misstatements in the financial statements of the Company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting with reference to these Ind AS financial statements as of March 31, 2020, 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, and except for the possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting with reference to these Ind AS financial statements were operating effectively as of March 31, 2020.



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Independent auditors report for the year ended March 31, 2020

## Explanatory paragraph

We also have audited, 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, the Ind AS financial statements of Welspun Flooring Limited, which comprise the Balance Sheet as at March 31, 2020, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020 Ind AS financial statements of Welspun Flooring Limited and this report does affect our report dated June 29, 2020, which expressed a qualified opinion on those financial statements.

For **SRBC & COLLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003



per **Anil Jobanputra**

Partner

Membership Number: 110759

UDIN No. 20110759AAAACU9135

Place of Signature: Mumbai

Date: June 29, 2020



**WELSPUN FLOORING LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2020**

Particulars	Note No.	As at	As at
		March 31, 2020 (Rs. million)	March 31, 2019 (Rs. million)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	8,185.62	4.17
Capital work-in-progress	3	330.95	4,628.77
Intangible assets	4	33.56	6.88
Intangible Assets Under Development	4	-	13.73
Right-of-use assets	36	9.46	-
<b>Financial Assets</b>			
- Other financial assets	5	1,429.67	0.21
Non-current tax assets	12 (a)	1.83	1.45
Other Non Current assets	6	160.00	985.16
<b>Total Non Current Assets</b>		<b>10,155.09</b>	<b>5,640.37</b>
<b>Current assets</b>			
Inventories	7	682.45	-
<b>Financial Assets</b>			
- Cash & cash equivalents	8(a)	3.32	72.59
- Bank balances other than 8 (a) above	8(b)	2.53	10.89
- Other financial assets	8(c)	123.63	0.03
Other current assets	9	506.27	93.69
<b>Total Current Assets</b>		<b>1,318.20</b>	<b>177.20</b>
<b>Total Assets</b>		<b>11,473.29</b>	<b>5,817.57</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	10(a)	650.00	650.00
8% Compulsorily Convertible Preference Share Capital	10(b)	1,850.00	1,702.18
0% Compulsorily Convertible Debentures	10(c)	714.38	-
<b>Other equity</b>			
Reserves and surplus	10(d)	(919.22)	(68.25)
<b>Total equity</b>		<b>2,295.16</b>	<b>2,283.92</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
- Borrowings	11 (a)	6,313.64	2,870.44
- Lease liabilities	36	5.77	-
Deferred Tax liabilities	12 (c)	4.88	4.88
Other non-current liabilities	13	1,348.69	174.09
<b>Total non-current liabilities</b>		<b>7,672.98</b>	<b>3,049.41</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
- Borrowings	11 (a)	27.09	-
- Lease liabilities	36	3.84	-
- Trade Payables			
(a) Total outstanding dues of micro enterprises and small enterprises		61.19	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	14(a)	515.01	81.41
- Other financial liabilities	14(b)	519.16	380.07
Current tax liabilities	12 (b)	3.08	3.08
Employee Benefits Obligations	15	25.23	11.83
Other current liabilities	16	106.55	7.85
<b>Total Current liabilities</b>		<b>1,505.15</b>	<b>484.24</b>
<b>Total Liabilities</b>		<b>9,178.13</b>	<b>3,533.65</b>
<b>Total Equity and Liabilities</b>		<b>11,473.29</b>	<b>5,817.57</b>
Summary of significant account policies	2		
The accompanying notes are an integral part of these financial statements.			

As per our report of even date  
For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm registration number : 324982E/E300003

  
Per Anil Jobanputra  
Partner  
Membership No. 110759



For and on behalf of the Board of Directors

  
Aital Jiwani  
Director  
DIN: 05166241

  
Devendra Patil  
Director  
DIN: 00062784

  
Mukesh Sawalant  
CEO & Whole Time Director  
DIN: 08165008

  
Chirag Goenka  
Chief Financial Officer  
Place: Mumbai  
Date: June 29 2020

  
Shashikant Thorat  
Company Secretary

Place: Mumbai  
Date: June 29 2020



WELSPUN FLOORING LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Note No.	Year Ended March 31, 2020 (Rs. million)	Year Ended March 31, 2019 (Rs. million)
Revenue from Operations	17	552.20	-
Other Income	18	0.45	34.87
<b>Total Revenue</b>		<b>552.65</b>	<b>34.87</b>
<b>Expenses</b>			
Raw materials including packaging materials consumed	19	649.27	-
Changes in inventories of Finished Goods and Semifinished goods/WIP	20	(338.52)	-
Employee benefits expense	21	276.04	6.51
Depreciation and amortization expense	22	231.05	0.73
Other expenses	23	375.52	52.79
Finance costs	24	204.53	10.74
<b>Total expenses</b>		<b>1,397.89</b>	<b>70.77</b>
<b>Net Loss before Tax</b>		<b>(845.24)</b>	<b>(35.90)</b>
<b>Income Tax Expense</b>			
- Current Tax		-	5.61
- Deferred Tax		-	4.88
<b>Total Income Tax Expense</b>	25	-	10.49
<b>Net Loss for the Year</b>		<b>(845.24)</b>	<b>(46.39)</b>
<b>Other Comprehensive Income</b>			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligation (Loss)	21	(5.72)	-
<b>Other comprehensive (income)/loss for the year, net of tax</b>		<b>(5.72)</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>		<b>(850.96)</b>	<b>(46.39)</b>
<b>Earnings Per Share (Rs.)</b> [Nominal value per share : Rs. 10 (March 31, 2019) : Rs.]	33		
- Basic		(8.10)	(0.33)
- Diluted		(8.10)	(0.33)

Summary of significant account policies  
The accompanying notes are an integral part of these financial statements

As per our report of even date

For S R B C & CO LLP  
Chartered Accountants  
ICAI Firm registration number : 324682E/E300003


  
Per Anil Jobanputra  
Partner  
Membership No. 110759




For and on behalf of the Board of Directors

  
Altaf Jiwani  
Director  
DIN: 05186241

  
Devendra Patil  
Director  
DIN: 00062784

  
Mukesh Sawalani  
CEO & Whole Time Director  
DIN: 08169008

  
Chirag Goenka  
Chief Financial Officer  
Place: Mumbai  
Date: June 29, 2020

  
Anshikant Thorat  
Company Secretary

Place: Mumbai  
Date: June 29, 2020



WELSPUN FLOORING LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020.

a. Equity Share Capital

Particulars	Notes	No. of Shares	Amount
As at April 1, 2018		3,429,800	34.30
Shares issued during the year	10(a)	61,570,200	615.70
As at March 31, 2019		65,000,000	650.00
Shares issued during the year		-	-
<b>As at March 31, 2020</b>		<b>65,000,000</b>	<b>650.00</b>

b. 8% Non Cumulative Compulsorily convertible (NCCC) Preference shares

Particulars	Notes	No. of Shares	Amount
As at April 1, 2018		-	-
Changes in 8% NCC preference share capital during the year	10(b)	170,218,385	1,702.18
As at March 31, 2019		170,218,385	1,702.18
Changes in 8% NCC preference share capital during the year	10(b)	14,781,615	147.82
<b>As at March 31, 2020</b>		<b>185,000,000</b>	<b>1,850.00</b>

c. 0% Compulsorily convertible Debentures

Particulars	Notes	No. of Debentures	Amount
As at April 1, 2018		-	-
Changes in Compulsorily Convertible Debenture during the year		-	-
As at March 31, 2019		-	-
Changes in Compulsorily Convertible Debenture during the year	10(c)	71,438,385	714.38
<b>As at March 31, 2020</b>		<b>71,438,385</b>	<b>714.38</b>

d. Other Equity

Particulars	Notes	Share Application Money Pending Account	Reserve & surplus/ Retained Earnings	Total Other Equity
As at April 1, 2018	10(d)	741.10	(21.87)	719.23
Loss for the year		-	(46.39)	(46.39)
Less : Share issued against pending allotment money	10(d)	(741.10)	-	(741.10)
As at April 1, 2019		-	(68.26)	(68.26)
Loss for the year		-	(845.24)	(845.24)
Other Comprehensive loss		-	(5.72)	(5.72)
<b>Balances as at March 31, 2020</b>	10(d)	<b>-</b>	<b>(919.22)</b>	<b>(919.22)</b>

Summary of significant account policies

The accompanying notes are an integral part of these financial statements

As per our report of even date


For S R B C & CO LLP

Chartered Accountants

ICAI Firm registration number : 324982E/E300003

For and on behalf of the Board of Directors

Per Anil Jobanputra  
Partner  
Membership No. 110759



Ataf Jiwani  
Director  
DIN: 05166241

Devendra Patil  
Director  
DIN: 00062784

Mukesh Sawalani  
CEO & Whole Time Director  
DIN: 08169008

Chirag Goenka  
Chief Financial Officer

Shashikant Thorat  
Company Secretary

Place: Mumbai  
Date: June 29, 2020

Place: Mumbai  
Date: June 29, 2020



**WELSPUN FLOORING LIMITED**  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

	Year Ended March 31, 2020 (Rs. million)	Year Ended March 31, 2019 (Rs. million)
<b>Cash and cash equivalents comprise of:</b>		
Cash on Hand	0.01	0.00
Bank balances		
- In current accounts	3.31	72.59
<b>Total</b>	<b>3.32</b>	<b>72.59</b>

\*During the year the loan amount of Rs. 23 million was converted to 0% Compulsorily Convertible Debentures. Previous year loan amount of Rs. 312.00 million was converted to 8% NCCC Preference Share Capital

**Change in Liability arising from financing activities**

	April 1, 2019	Cash flow	Other adjustments	(Rs. Million) March 31, 2020
<b>Borrowing-Non Current [Refer Note 11 (a)]</b>	2,870.44	3,505.09	2.36	6,377.89
<b>Borrowing-Current [Refer Note 11 (a)]</b>	-	294.09	23.00	271.09
	<b>2,870.44</b>	<b>3,799.18</b>	<b>25.36</b>	<b>6,648.98</b>

**Notes:**

1. Other adjustment pertains to amortisation of transaction costs incurred on borrowings over the tenure of the loan using the effective interest rate method.
2. Other adjustments pertains to conversion of loan into 0% Compulsorily Convertible Debentures (March 31, 2019 8% NCCC Preference Share Capital)
3. The statement of cash flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

The accompanying notes are an integral part of these financial statements

As per our report of even date


For **S R B C & CO LLP**  
Chartered Accountants  
Firm Registration No: 324982E/E300003


For and on behalf of the Board of Directors


  
Per **Anil Jobanputra**  
Partner  
Membership No. 110759



  
**Ataf Jiwani**  
Director  
DIN : 05166241

  
**Devendra Patil**  
Director  
DIN : 00062784

  
**Mukesh Sawalani**  
CEO & Whole Time Director  
DIN : 08169008

  
**Chirag Goenka**  
Chief Financial Officer  
Place: Mumbai  
Date: June 29, 2020

  
**Shashikant Thorat**  
Company Secretary

Place: Mumbai  
Date: June 29, 2020



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. **Corporate Information**

Welspun Flooring Limited (hereinafter referred as "the Company") is a public limited company domiciled in India and is incorporated under the provisions of Companies Act applicable in India. The registered office of the Company is located at D No. 6-3-609/147/A, Opposite Sri Chakra Apartment, Anand Nagar Colony, Khairatabad, Hyderabad, Telangana – 500 004, India. The Company is incorporated with its main objective to carry business of manufacturing and selling of Carpet Tiles, Stone Polymer Composite Tiles and other Flooring Solutions. The Company has commenced its operations and manufacturing with effect from September 13, 2019.

2. **Significant Accounting Policies**

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, except as disclosed in Note 2.20.

2.1 **Basis of preparation of financial statements**

The standalone financial statements has been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The financial statements have been prepared on an accrual and going concern basis. The financial statements have been prepared on a historical cost basis, except for certain assets and liabilities that is measured at fair value as stated in subsequent policies

2.2 **Foreign currency translation**

a. Functional and presentation currency

The financial statements of the Company are presented in INR, which is also its functional currency and all items included in the financial statements of the Company are measured using the same functional currency.

b. Transactions and balances

Foreign currency transactions are translated and recorded into the functional currency using the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in Statement of Profit and Loss.- All other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis within other expenses or other income, as applicable.

2.3 **Revenue recognition**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.20.

**Sale of goods**

For sale of goods, revenue is recognized when control of the goods has transferred at a point in time i.e. when the goods have been delivered to the specific location (delivery). Following delivery, the customer has full discretion over the responsibility, manner of distribution, price to sell the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is





WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

recognized by the Company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Payment is due within 0-180 days.

**Contract balances :**

**Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**Interest Income**

Interest income from the financial assets are recognized using effective interest rate method.

**Other Income**

Other income is accounted for on accrual basis except where the receipt of income is uncertain.

**2.4 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

Government grants relating to an expense item are recognized in the Statement of Profit and Loss over the period necessary to match them with the costs that they are intended to compensate and presented either under "other operating income" (Revenue from operation) or are deducted in reporting the related expense. The presentation approach is applied consistently to all similar grants. Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to Statement of Profit and Loss over the periods and in proportions in which depreciation expense on those assets is recognized.

**2.5 Income Tax**

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognized in the Statement of Profit and Loss except to the extent it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income respectively.

Current income tax

Current tax charge is based on taxable profit for the year. The tax rates and tax laws used to compute the amount are those that are enacted, at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

neither accounting profit nor taxable profit (tax loss). Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the Balance Sheet, if and only when, (a) the Company has a legally enforceable right to set-off the current income tax assets and liabilities, and (b) the Deferred income tax assets and liabilities relate to income tax levied by the same taxation authority.

2.6 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Company as a lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**i) Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 3 to 5 years:

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9 Impairment of non-financial assets.

**ii) Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments). In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

2.7 Property, plant and equipment

Property Plant and equipment except for freehold land are stated in the balance sheet at cost less accumulated depreciation and impairment losses, if any. The cost of property plant and equipment comprises its purchase price net of any trade discounts and rebates, duty saved under EPCG, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, including relevant borrowing costs for qualifying assets and any expected cost of decommissioning. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

replaced. All other repairs and maintenance are charged to statement of profit and loss during the reporting period in which they are incurred.

Export Promotion Capital Goods (EPCG) grant relating to property, plant and equipment relate to duty saved on import of capital goods and spares under the EPCG scheme. Under the scheme, the Company is committed to export prescribed times of the duty saved on import of capital goods over a specified period of time. In case such commitments are not met, the Company would be required to pay the duty saved along with interest to the regulatory authorities. Such grants are initially recognised as a liability and are released to the statement of profit and loss based on fulfilment of related export obligations.

**Depreciation methods, estimated useful lives and residual value**

Freehold land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

For following items of property, plant and equipment, depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Assets	Estimated Useful Life (years)
Plant & Machinery	5 to 15
Material Handling Equipment	1 to 12
Transmission lines, cables and other network assets	40
Office Equipment	3 to 5
Furniture and fixtures	10
Computers and Servers	3 to 6
Vehicles	5
Electrical installation	5-10
Factory Building	30

The useful lives have been determined based on technical evaluation done by the management's expert which is equal to or lower than those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Estimated useful lives, residual values and depreciation methods are reviewed annually, taking into account commercial and technological obsolescence as well as normal wear and tear and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other expenses or other income, as applicable.

2.8

**Intangible assets**

Intangible assets with finite useful lives acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

**Amortisation methods and periods**

Intangible assets comprise of computer software which is amortized on a straight-line basis over its expected useful life over a period of five years.



**2.9 Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**2.10 Inventories****Raw materials and stores, work in progress, traded and finished goods**

Raw materials and stores, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases on weighted average basis. Cost of work-in progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory moving weighted average basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.11 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****A. Classification**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

- For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income;

**B. Initial Recognition and Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in Statement of Profit or Loss.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

in value. For the purpose of statement of cash flows, cash and cash equivalents includes outstanding bank overdraft shown within current liabilities in statement of financial position and which are considered as integral part of company's cash management policy.

**Trade receivable**

Trade receivable are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**C. 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 following financial assets and credit risk exposure:

- i. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

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

- Financial assets measured as at amortised cost, contractual revenue receivables: 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 trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 financial instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Financial liabilities**

**A. Initial Recognition and Measurement:**

Financial liabilities are initially recognised at fair value, reduced by transaction costs (in case of financial liability not at fair value through profit or loss), that are directly attributable to the issue of financial liability. After initial recognition, financial liabilities are measured at amortised cost using effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees paid, transaction cost, and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. At the time of initial recognition, there is no financial liability irrevocably designated as measured at fair value through profit or loss. Liabilities from finance lease agreements are measured at the lower of fair value of the leased asset or present value of minimum lease payments.

**B. Subsequent Measurement**

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are recognised, initially at fair value, and subsequently measured at amortised cost using effective interest rate method.

**Derivatives and hedging activities**

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Company enters into forward, option, swap contracts and other derivative financial instruments. The Company does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period.

- Derivatives that are not designated as hedges

The Company enters into derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss.

**2.12 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

**2.13 Employee benefits**

**a. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**b. Other long-term employee benefit obligations**

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

**c. Post-employment obligations**

The Company operates the following post-employment schemes:

- defined benefit plans such as gratuity, and
- defined contribution plans such as provident fund and superannuation Fund



**Defined Benefit Plans****Gratuity obligations**

The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Remeasurements are not reclassified to the Statement of Profit and Loss in the subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in Statement of Profit or Loss as past service cost.

**Defined contribution plans****Provident Fund, Employee State Insurance Corporation (ESIC), Pension Fund and other Social Security Funds**

The Contribution towards provident fund, ESIC, pension fund and Social Security Funds for certain employees is made to the regulatory authorities where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations apart from the contributions made on a monthly basis.

**Superannuation Fund**

Contribution towards superannuation fund for certain employees is made to SBI Life Insurance Company where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any further obligations, apart from contribution made on monthly basis.

**Bonus Plan**

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.14 Provisions and contingent liabilities**

Provisions for service warranties, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions for restructuring are recognised by the Company when it has developed a detailed formal plan for restructuring



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

and has raised a valid expectation in those affected that the Company will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The measurement of provision for restructuring includes only direct expenditures arising from the restructuring, which are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

**Contingent liabilities** are disclosed when there is a possible obligation arising from past events the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

**Contingent Assets** are disclosed, where an inflow of economic benefits is probable.

**2.15 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**2.16 Earnings per share**

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares. (Note 33)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

**2.17 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





WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

All other assets are classified as non-current.

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

The company classifies all other liabilities as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The company has identified twelve months as its operating cycle.

**2.18 Rounding of amounts**

All amounts disclosed in the financial statements and notes have been rounded off to the nearest millions with two decimal as per the requirement of Schedule III, unless otherwise stated.

**2.19 Changes in accounting policies and disclosures**

**New and amended standards**

The Company applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

**Ind AS 116 Leases**

Ind AS 116 supersedes Ind AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

The Company has adopted Ind AS 116 using the modified retrospective method of adoption, with the date of initial application on April 1, 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at April 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying Ind AS 17 and Appendix C of Ind AS 17 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Effective April 1, 2019 the Company has adopted Ind AS 116 'Leases' and applied the same on all lease contracts existing on April 1, 2019 using modified retrospective approach. Under this approach Right-To-Use Asset and corresponding Lease Liability have been recognised at Rs. 4.44 million as at April 1, 2019. Accordingly the comparatives for the year ended March 31, 2019 have not been retrospectively adjusted and there is no impact on opening reserves. The effect of this adoption is not material to the current financial statements and earnings per share for the year ending March 31, 2020. Due to application of Ind AS 116 for the year ended March 31, 2020, Depreciation and Finance cost has increased by Rs. 3.06 million and Rs. 0.96 million respectively and other expenses have increased by Rs. 2.25 million. Total expenses(net) have increased by



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Rs. 6.26 million. Refer details of the movement during the year in the balances of the Right-To-Use Asset and corresponding Lease Liability in Note 36.

Upon adoption of Ind AS 116, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. Refer to Note 2.6 Leases for the accounting policy.

The Standard provides specific transition requirements and practical expedients which have been applied by the Company.

**Leases previously accounted for as operating leases**

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at April 1, 2019 and right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Company also applied the available practical expedients wherein it:

- a) Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- b) Relied on its assessment of whether leases are onerous immediately before the date of initial application
- c) Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- d) Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- e) Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Weighted average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 10%

The lease liabilities as at April 1, 2019, can be reconciled to the operating lease commitments as of March 31, 2019, as follows:

Particulars	Amount (Rs. million)
Operating lease commitments as at March 31, 2019	4.44
Incremental borrowing rate as at April 1, 2019	10%
Discounted operating lease commitments as at April 1, 2019	4.04
Add: Lease payments not included in operating lease commitments as at March 31, 2019 but presented as lease liabilities as per Ind AS 116	2.25
Lease Liabilities as at April 1, 2019	6.68

**Ind AS 12 - Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 and does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

credits and tax rates

- How an entity considers changes in facts and circumstances

The Company determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The MCA has also carried out amendments to the following other accounting standards. The effect on adoption of following mentioned amendments were insignificant on the financial statements. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

- Ind AS 109: Prepayment Features with Negative Compensation
- Ind AS 19: Plan Amendment, Curtailment or Settlement
- Ind AS 12 Income Taxes
- Ind AS 23 Borrowing Costs

**2.20 Significant accounting judgements, estimates and assumptions:**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements

**Critical estimates and judgements**

- Current tax expense and deferred tax

The calculation of the Company's tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits/losses and/or cash flows. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. (Refer Note 26)

**Recognition of deferred tax assets/ liabilities**

The recognition of deferred tax assets/ liabilities is based upon whether it is more likely than not that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts.

- Provisions & Contingent Liabilities.

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual liability may be different from the originally estimated as provision. (Refer Note 31).

- Useful life of Property, Plant and Equipment and Intangible assets

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its



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life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. For the relative size of the Company's property, plant and equipment and intangible assets (Refer Notes 3 and 4).

iv) Provision for Inventory

The Company writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates of net selling prices, age and quality/condition of the down-graded inventories. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed. Refer Note 7 for details of inventory and provisions.

v) Estimation of Defined Benefit Obligation

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for post employment plans include the discount rate. Any changes in these assumptions will impact the carrying amount of such obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds of maturity approximating the terms of the related plan liability. Refer Note 21 for the details of the assumptions used in estimating the defined benefit obligation.

vi) Government Grants

The Company has accrued income for Government grant related to fixed assets, in the ratio of related expenses, based on eligibility amount. Critical judgement is involved in determining whether the Company has fulfilled the conditions related to the grant. Estimates are involved in calculation of grant income where the eligibility amount is not confirmed by the government but application is made and the Company is complying all terms & conditions for eligibility. Further, key assumptions used in calculation of government grant to be recognized as revenue, receivables and deferred income include, the future sales growth rate, mix of inter and intra state purchases and corresponding input tax credit, utilization of input tax credit, indirect tax rates on the products, period of eligibility etc. Changes in the assumptions selected by the management could significantly affect the recognition of revenue, receivables and deferred income related to such government grants.

**Estimation uncertainty relating to the global health pandemic on COVID-19**

The the Company has made detailed assessment of its liquidity position (including servicing of debts) for next one year as the Company has commenced the commercial production from current year and being in initial state of the business, had incurred a net cash loss during the current year. Basis assessment, the Company has concluded that the Company may need financial support and parent company has agreed to provide the same. Accordingly, the Company will be able to meet all its obligations for next one year. Therefore, the financial statements are prepared on going concern basis. The situation is changing rapidly giving rise to inherent uncertainty around the extent and timing of the potential future impact of the COVID-19 which may be different from that estimated as at the date of approval of these standalone Ind AS financial statements. The Company will continue to closely monitor any material changes arising of future economic conditions and impact on its business.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 3 - Property, Plant and Equipment

	(Rs. million)								
	Freehold Land	Buildings	Plant and Equipment	Vehicles	Office Equipment	Furniture and Fixtures	Computers	Total	Capital work-in-progress
<b>Cost or valuation</b>									
<b>At April 1, 2018</b>									
Opening gross carrying amount	-	-	0.27	-	0.31	1.01	0.05	1.64	38.33
Additions	-	-	0.06	-	1.54	0.15	1.36	3.11	4,590.44
Disposals	-	-	-	-	-	-	-	-	-
<b>At March 31, 2019 (A)</b>	-	-	<b>0.33</b>	-	<b>1.85</b>	<b>1.16</b>	<b>1.41</b>	<b>4.75</b>	<b>4,628.77</b>
<b>Depreciation</b>									
<b>At April 1, 2018</b>									
Depreciation charge during the year	-	-	0.06	-	-	0.09	0.01	0.16	-
Disposals	-	-	0.05	-	0.15	0.07	0.15	0.42	-
Disposals	-	-	-	-	-	-	-	-	-
<b>At March 31, 2019 (B)</b>	-	-	<b>0.11</b>	-	<b>0.15</b>	<b>0.16</b>	<b>0.16</b>	<b>0.58</b>	-
<b>Net book value at March 31, 2019 (A-B)</b>	-	-	<b>0.22</b>	-	<b>1.70</b>	<b>1.00</b>	<b>1.25</b>	<b>4.17</b>	<b>4,628.77</b>
<b>Cost or valuation</b>									
<b>At April 1, 2019</b>									
Opening gross carrying amount	-	-	0.33	-	1.84	1.16	1.42	4.75	4,628.77
Additions	896.42	1,512.86	5,962.39	8.84	0.61	28.16	0.59	8,409.87	330.95
Disposals	-	-	-	-	-	-	-	-	-
Transfers/Capitalised	-	-	-	-	-	-	-	-	(4,628.77)
<b>At March 31, 2020 (A)</b>	<b>896.42</b>	<b>1,512.86</b>	<b>5,962.72</b>	<b>8.84</b>	<b>2.45</b>	<b>28.32</b>	<b>2.01</b>	<b>8,414.62</b>	<b>330.95</b>
<b>Depreciation</b>									
<b>At April 1, 2019</b>									
Depreciation charge during the year	-	28.37	194.54	0.11	0.31	0.49	0.80	224.42	-
Disposals	-	-	-	-	-	-	-	-	-
<b>At March 31, 2020 (B)</b>	-	<b>28.37</b>	<b>194.64</b>	<b>0.11</b>	<b>0.46</b>	<b>0.65</b>	<b>0.77</b>	<b>225.00</b>	-
<b>Net book value at March 31, 2020 (A-B)</b>	<b>896.42</b>	<b>1,484.49</b>	<b>5,768.08</b>	<b>8.73</b>	<b>1.99</b>	<b>28.67</b>	<b>1.24</b>	<b>8,189.62</b>	<b>330.95</b>

Notes :

(i) The Company commenced commercial production and the plant was operational with effect from September 13, 2019 .

(ii) Capital work-in-progress includes employee benefit expenses, professional charges, travelling and other expenses of Rs Nil million as on March 31, 2020 (March 31, 2019 :

(iii) Capitalised Borrowing Costs :

The Company started construction of new plant in May 2017 using the specific borrowings received for this purpose. The amount of borrowing cost capitalised during the year ended March 31, 2020 was Rs. 37.34 million (Net of interest Subsidy of Rs 163.61 million) (March 31, 2019 : Rs 108.27 million). The rate used to determine the amount of borrowing cost eligible for capitalisation was 9.65% ,which is the effective rate of the specific borrowing.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 4 - Intangible assets

(Rs. million)

	Computer Software	Intangible assets under development
<b>Cost or valuation</b>		
<b>At April 1, 2018</b>		
Opening gross carrying amount		
Additions	7.20	13.73
Transfers/Capitalised		
<b>At March 31, 2019 (A)</b>	<b>7.20</b>	<b>13.73</b>
<b>Amortisation</b>		
<b>At April 1, 2018</b>		
Opening accumulated amortisation		
Amortisation charge during the year	0.32	-
<b>At March 31, 2019 (B)</b>	<b>0.32</b>	<b>-</b>
<b>Net book value at March 31, 2019 (A-B)</b>	<b>6.88</b>	<b>13.73</b>
<b>Cost or valuation</b>		
<b>At April 1, 2019</b>		
Opening gross carrying amount	7.20	13.73
Additions	30.50	-
Transfers/Capitalised	-	(13.73)
<b>At March 31, 2020 (A)</b>	<b>37.70</b>	<b>-</b>
<b>Amortisation</b>		
<b>At April 1, 2019</b>		
Opening accumulated amortisation	0.32	-
Amortisation charge during the year	3.57	-
Disposals/Transfers	0.25	-
Exchange differences	-	-
<b>At March 31, 2020 (B)</b>	<b>4.14</b>	<b>-</b>
<b>Net book value at March 31, 2020 (A-B)</b>	<b>33.56</b>	<b>-</b>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	As at March 31, 2020 (Rs. million)	As at March 31, 2019 (Rs. million)
<b>Note 5: Others Non Current Financial Assets</b>		
Interest subsidy receivable (Refer Note 37)	315.43	-
Government Grant Receivable (Refer Note 37)	1,098.30	-
Security Deposits to Others	15.94	0.21
	<u>1,429.67</u>	<u>0.21</u>
<b>Note 6: Other non-current assets</b> (Unsecured, considered good)		
Capital Advances to Others	160.00	985.16
	<u>160.00</u>	<u>985.16</u>
<b>Note 7: Inventories</b>		
Raw Materials (Including material in transit of Rs. 95.42 Million)	343.93	-
Work-in-Progress	238.75	-
Finished Goods	99.77	-
	<u>682.45</u>	<u>-</u>
<b>Note 8(a): Cash and cash equivalents</b>		
Balances with Banks		
- In Current Accounts	3.31	72.59
Cash on Hand	0.01	0.00
	<u>3.32</u>	<u>72.59</u>
<b>Note 8(b): Bank balances other than cash and cash equivalents</b>		
- Fixed Deposits original maturity more than 3 months but less than 12 months	2.53	10.89
	<u>2.53</u>	<u>10.89</u>
<b>Note 8(c): Other financial assets</b>		
Interest Accrued on Fixed Deposits	-	0.03
Government Grant Receivable (Refer Note 37)	123.63	-
	<u>123.63</u>	<u>0.03</u>
<b>Note 9: Other current assets</b>		
Balances with Government Authorities	416.59	89.59
Advance to Others	85.39	2.33
Prepaid Expenses	4.29	1.77
	<u>506.27</u>	<u>93.69</u>



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**WELSPUN FLOORING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**Note 10 : Equity share capital and other equity**

**10 (a) : Equity share capital**

**(i) Authorised equity share capital**

	Number of Shares	Amount (Rs. million)
<b>As at April 1, 2018</b>	5,000,000	50.00
Increase during the year	60,000,000	600.00
<b>As at March 31, 2019</b>	65,000,000	650.00
Increase during the year	-	-
<b>As at March 31, 2020</b>	65,000,000	650.00
Equity Shares of Re. 10 each (March 31, 2019 : Re. 10 each)		

**(ii) Movements in equity share capital (i.e. Issued / Subscribed & Fully Paid up share)**

	Number of Shares	Amount (Rs. million)
<b>As at April 1, 2018</b>	3,429,800	34.30
Shares issued during the year	61,570,200	615.70
<b>As at March 31, 2019</b>	65,000,000	650.00
Equity Shares of Re. 10 each (March 31, 2019 : Re. 10 each)		
Shares issued during the year	-	-
<b>As at March 31, 2020</b>	65,000,000	650.00
Equity Shares of Re. 10 each (March 31, 2019 : Re. 10 each)		



**(iii) Shares held by holding company (Holding company as defined in Ind AS-24 : "Related Party Disclosure")**

	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Amount (Rs. million)	Number of Shares	Amount (Rs. million)
<b>Equity Shares :</b>				
Welspun India Limited	65,000,000	650.00	65,000,000	650.00
	65,000,000	650.00	65,000,000	650.00

**(iv) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	%	Number of Shares	%
<b>Equity Shares :</b>				
Welspun India Limited	65,000,000	100.00	65,000,000	100.00

**Rights, preferences and restrictions attached to equity shares**

The company has one class of equity shares having a par value of Re. 10 per share (March 31, 2019 : Re. 10). Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.





WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 10 (b) : 8% Non Cumulative Compulsorily Convertible(NCCC) Preference Share capital

(i) Authorised Preference share capital

	Number of Shares	Amount (Rs.in million)
As at April 1, 2018	-	-
Increase during the year	185,000,000	1,850.00
As at March 31, 2019	185,000,000	1,850.00
Increase during the year	-	-
As at March 31, 2020	185,000,000	1,850.00

(ii) Movements in Preference share capital (i.e. Issued / Subscribed & Fully Paid up share)

	Number of Shares	Amount (Rs.in million)
As at April 1, 2018	-	-
Shares issued during the year	170,218,385	1,702.18
As at March 31, 2019	170,218,385	1,702.18
Shares issued during the year	14,781,615	147.82
As at March 31, 2020	185,000,000	1,850.00
8% Non Cumulative Compulsory Convertible Preference Shares of Re. 10 each (March 31, 2019 : Re. 10 each fully paid up)		

Terms & Rights Attached to Preference shares

8% Non Cumulative Compulsory Convertible Preference shares have a par value of Rs 10. They entitle the holder to have a preferential right vis a vis Equity shares of the company, with respect to payment of dividend and repayment in case of winding up of the company or repayment of capital. Preference shares shall carry voting rights as per the provisions of Section 47(2) of the Act (Including any amendments or Modifications there to). The preference shares shall be convertible in the ratio of 1:1 i.e. 1 equity share for every 1 preference share held and the preference shares shall be convertible at any time before May 18, 2037 at the option of the Company.

(iii) Shares held by holding company and subsidiary of holding company (Holding company as defined in Ind AS-24 : "Related Party Disclosure")

Name Of Shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Amount (Rs.in million)	Number of Shares	Amount (Rs.in million)
8% NCCC Preference Shares of Rs 10 each Fully Paid-up:				
Welspun India Limited	185,000,000	1,850.00	170,218,385	1,702.18
	185,000,000	1,850.00	170,218,385	1,702.18

(iv) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Name Of Shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	%	Number of Shares	%
8% NCCC Preference Shares of Rs 10 each Fully Paid-up:				
Welspun India Limited	185,000,000	100	170,218,385	100



**WELSPUN FLOORING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**Note 10 (c) : 0% Compulsorily Convertible Debentures (CCD)**

**(i) Movements in 0% Compulsorily Convertible debentures**

	Number of Shares	Amount (Rs.in million)
<b>As at April 1, 2018</b>	-	-
Debentures issued during the year	-	-
<b>As at March 31, 2019</b>	-	-
Debentures issued during the year	71,438,385	714.38
<b>As at March 31, 2020</b>	<b>71,438,385</b>	<b>714.38</b>

**Terms & Rights Attached to Convertible Debentures**

0% Compulsory Convertible Debentures have a par value of Rs 10 each. They entitle the holder to have a preferential right vis a vis Equity shares of the company, repayment in case of winding up of the company or repayment of capital. Debentures do not carry voting rights as per the provisions of Section 71(2) of the Act (Including any amendments or Modifications there to) and the debentures shall be convertible in the ratio of 1:1 i.e. 1 equity share for every 1 debenture held on July 30, 2029 for all allotments to be made. CCDs may be converted into equity shares before July 30, 2029 at the option of the Company.

(iii) Debentures held by holding company and subsidiary of holding company	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	Amount (Rs.in million )	Number of Shares	Amount (Rs.in million )
<b>0% Compulsorily Convertible debentures</b>				
Welspun India Limited	71,438,385	714.38	-	-
	<b>71,438,385</b>	<b>714.38</b>	-	-

**(iv) Details of Debentures held by shareholders holding more than 5% of the aggregate shares in the Company**

Name Of Shareholder	As at March 31, 2020		As at March 31, 2019	
	Number of Shares	%	Number of Shares	%
<b>0% Compulsorily Convertible debentures</b>				
Welspun India Limited	71,438,385	100	-	-

**Note 10(d) : Other Equity**

**Retained Earnings**

Balance at the beginning of the year

Add : Loss For the Year

Add: Other Comprehensive Loss

**Balance at the end of the year**

**Share application money pending for allotment**

Balance at the beginning of the year

Add : Share application money received

Less : Shares allotted against share application money received

**Balance at the end of the year**

**Total**

	As at March 31, 2020 (Rs. million )	As at March 31, 2019 (Rs. million )
Balance at the beginning of the year	(68.26)	(21.87)
Add : Loss For the Year	(845.24)	(46.39)
Add: Other Comprehensive Loss	(5.72)	-
<b>Balance at the end of the year</b>	<b>(919.22)</b>	<b>(68.26)</b>
<b>Share application money pending for allotment</b>		
Balance at the beginning of the year	-	741.10
Add : Share application money received	-	-
Less : Shares allotted against share application money received	-	(741.10)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(919.22)</b>	<b>(68.26)</b>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

As at  
March 31, 2020  
(Rs.in million )

As at  
March 31, 2019  
(Rs.in million )

**Note 11 (a) : Non-Current Borrowings**

Particulars	Maturity Date	Terms Of Repayment	Amount	Amount
Term Loans - From Banks (Secured, Measured at Amortised Cost)				
Rupee Term Loan is secured by First pari passu charge - over immovable properties/ assets of project, both present and future - on all present and future movable assets of the project including but not limited to plant and machinery, machinery spares, tools and accessories, furniture, fixtures, vehicles, etc. - on all intangibles including but not limited to goodwill, uncalled capital, present and future of the Borrower Specific to the Project. - charge on all accounts of the Borrower including but not limited to Escrow Accounts, Trust Retention account (TRA) and Debt Service Reserve account specific to the Project. - on all the Borrower's project rights, titles, interest, benefits in the existing and future Project documents, letter of credit, guarantee and insurance policies issued in favour of the Borrower Second pari passu charge - on the borrower's book debts, operating cash flows, receivables, commissions, revenue of whatsoever nature and wherever arising, present and future specific to the Project. Negative lien on 51% of total paid up equity shares as well as 51% of NCDs/CCDs/Sponsor sub debt etc. Welspun India Limited, the holding company, has issued an irrevocable and unconditional corporate guarantee valid for a period of 12 months after the commencement date	Last Instalment due in Quarter ending March 2029.	Repayable in 33 quarterly instalments commencing from Quarter ending March 2021.	6,453.63	2,872.56
Less : Current maturities of long-term debt [Refer note 14 (c)]			(64.25)	-
Less : Interest accrued but not due [Refer note 14 (c)]			(75.74)	(2.12)
<b>Non-current borrowings (as per balance sheet)</b>			<b>6,313.64</b>	<b>2,870.44</b>

Notes :

1. The rates of interest on the non current borrowings in the table above are in the range of 9.15% to 9.90 % . These loans are eligible for Central & State government subsidy.

As at  
March 31, 2020  
(Rs.in million )

As at  
March 31, 2019  
(Rs.in million )

**Note 11 (a) : Current Borrowings**

	Amount	Amount
(Secured, Measured at Amortised Cost)		
Working Capital Loan [Refer Note below]	175.91	-
(Unsecured, Measured at Amortised Cost)		
Loan from Related Parties [Refer Note below]	95.18	-
<b>Current borrowings (as per balance sheet)</b>	<b>271.09</b>	<b>-</b>

Notes :

1. Working capital loan which is primarily cash credit from banks @ 10% p a , is secured by hypothecation of raw materials, stock-in-process, finished goods, semi finished goods, stores, spares and book debts and other current financial assets of the Company; second charge on entire fixed assets of the Company and corporate guarantee from Welspun India Limited valid for a period of 12 months after the commencement date

2. Unsecured Loan from Welspun India Limited, Holding Company @6% p a, repayable on demand.



**WELSPUN FLOORING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

	As At March 31, 2020 (Rs. million)	As At March 31, 2019 (Rs. million)
<b>Note 12 (a) : Non Current Tax Assets</b>		
Advance Tax	1.83	1.45
	<b>1.83</b>	<b>1.45</b>
<b>Note 12 (b) : Current Tax Liability</b>		
Taxation	3.08	3.08
	<b>3.08</b>	<b>3.08</b>
<b>Note 12 (c): Deferred tax Liabilities</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Deferred Tax Liabilities arising on account of temporary differences in :		
- Property, plant, equipment and Intangible Assets	233.16	4.88
Deferred Tax Assets on Losses :		
- Unabsorbed business loss and Unabsorbed Depreciation	228.28	-
<b>Net Deferred Tax liability</b>	<b>4.88</b>	<b>4.88</b>

Since the Company has not generated Profits in the current year ,the Deferred Tax assets on losses have been restricted to the extent of Deferred Tax Liabilities.

Particulars	Property, plant, equipment and Intangible Assets
<b>April 01, 2018</b>	
(Charged) / Credited :	
to Statement of Profit and Loss	4.88
to Other Comprehensive Income	-
<b>March 31, 2019</b>	<b>4.88</b>
(Charged) / Credited :	
to Statement of Profit and Loss	-
to Other Comprehensive Income	-
<b>March 31, 2020</b>	<b>4.88</b>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	As at March 31, 2020 (Rs. million)	As at March 31, 2019 (Rs. million)
<b>Note 13: Other non current liabilities</b>		
Deffered Income (Refer Note 37)	1,348.69	174.09
	<u>1,348.69</u>	<u>174.09</u>
<b>Note 14 (a) : Trade payables</b>		
Total Outstanding Dues of Micro Entreprises and Small Enterprises (Refer Note 34)	61.19	-
Total Outstanding Dues of Creditors other than Micro Entreprises and Small Enterprises	212.03	65.68
- Related Parties	302.98	15.73
- Others		
	<u>576.20</u>	<u>81.41</u>
<b>Note 14(b) : Other current financials liabilities</b>		
Creditors for Capital Purchases	298.82	367.55
Other Payables	62.62	1.39
Retent on Money Payable	27.73	9.01
Interest Accrued but not due on Borrowings (Refer Note 11)	75.74	2.12
Current maturities of Long Term Debt (Refer Note 11)	64.25	-
	<u>519.16</u>	<u>380.07</u>
<b>Note 15 : Employee Benefit obligations</b>		
Provision for Gratuity (Refer Note 21)	15.00	6.37
Provision for Compensated absences (Refer Note 21)	9.78	5.41
Employee benefits payable	0.45	0.05
	<u>25.23</u>	<u>11.83</u>
<b>Note 16 : Other Current Liabilities</b>		
Advances from Customers	89.81	-
Statutory Dues Payable	16.74	7.85
	<u>106.55</u>	<u>7.85</u>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
<b>Note 17 : Revenue from Operations</b>		
<b>(a) Sale of Products</b>		
Sale of Products - Traded Goods-Domestic	405.02	-
<b>Sub Total</b>	<b>405.02</b>	<b>-</b>
<b>(b) Other Operating Income</b>		
Sale of Scrap	11.11	-
Government grant income	-	-
- SGST Incentive [Refer Note 37]	123.63	-
- One time capital subsidy, reimbursement of land cost and stamp duty [Refer Note 37]	12.44	-
<b>Sub Total</b>	<b>147.18</b>	<b>-</b>
<b>Total</b>	<b>552.20</b>	<b>-</b>

1) Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Revenue	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
India	416.13	-
<b>Total revenue from contracts with customers</b>	<b>416.13</b>	<b>-</b>

2) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

Particulars	As at March 31, 2020 (Rs. million)	As at March 31, 2019 (Rs. million)
Contract liabilities (advances from customers)	89.81	-
	<b>89.81</b>	<b>-</b>

3) Reconciliation of revenue recognised in the statement of profit and loss with the contracted price

Particulars	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
Revenue as per contracted price	416.13	-
Less: Rebates, discounts, chargebacks, markdowns, etc.	-	-
<b>Revenue from contracts with customers</b>	<b>416.13</b>	<b>-</b>

4) Reconciliation of revenue from operations with revenue from contracts with customers

Particulars	As at March 31, 2020 (Rs. million)	As at March 31, 2019 (Rs. million)
Revenue from operations	552.20	-
Less: VAT/State Goods and Service Tax Incentive	123.63	-
Onetime Capital Subsidy	12.44	-
<b>Revenue from contracts with customers</b>	<b>416.13</b>	<b>-</b>

Note 18 : Other Income

Interest on Fixed Deposits	0.45	14.66
Profit on Sale of Share/Mutual fund	-	5.35
Exchange Gain (Net)	-	14.86
<b>Total</b>	<b>0.45</b>	<b>34.87</b>

Note 19 : Raw materials including packaging materials consumed

Opening Stock	-	-
Add: Purchases of Raw Material	993.20	-
	993.20	-
Less: Closing Stock	343.93	-
	649.27	-
<b>Total</b>	<b>649.27</b>	<b>-</b>

Note 20 : Changes in inventories of Finished Goods and Semifinished goods / WIP

(Increase)/ Decrease in Stocks		
Opening Stock		
Finished Goods	-	-
Work-in-Process	-	-
Closing Stock		
Finished Goods	99.77	-
Work-in-Process	238.75	-
<b>(increase) / decrease in Stocks</b>	<b>(338.52)</b>	<b>-</b>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
<b>Note 21 : Employee benefits expense</b>		
Salaries, Wages, Allowances and Other Benefits	237.20	-
Gratuity	5.92	-
Contribution to Provident and Other Funds	23.14	-
Leave compensation	2.93	-
Staff and Labour Welfare	6.85	6.51
<b>Total</b>	<b>276.04</b>	<b>6.51</b>

The figures mentioned above are net off employee costs capitalised during the year ended March 31, 2020 amounting to Rs.185.50 million (March 31, 2019 : Rs 4.72 million)

The Company has classified the various benefits provided to employees as under :-

**I Defined Contribution Plans**

	Year ended March 31, 2020	Year ended March 31, 2019 (Rs. million)
During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:		
- Employers' Contribution to Provident Fund*	14.40	3.14
- Employers' Contribution to Employees' State Insurance *	1.43	-
- National Pension Fund*	7.02	-
- Employers' Contribution to Employees' Pension Scheme*	-	0.92
- Employers' Contribution to Superannuation Scheme*	0.29	0.66
	<b>23.14</b>	<b>4.72</b>

\* Included in Contribution to Provident and Other Funds

**II Defined Benefit Plan**

**Contribution to Gratuity Fund (Funded Defined Benefit Plan)**

The Company operates a gratuity plan through the "Welspun Flooring Limited Employees Gratuity Trust". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

**Risk exposure**

These defined benefit plans expose the Company to actuarial risk such as longevity risks, interest rate risks, market (investment) risks.

**a. Major Assumptions**

	As at March 31, 2020 % p.a.	As at March 31, 2019 % p.a.
Discount Rate	6.89	7.76
Salary Escalation Rate @	6.5% p.a. for the next 5 years, 5% p.a. for thereafter, starting from 6th year	7% p.a. for the next 2 years, 6% p.a. for the next 3 years & 5% p.a. thereafter, starting from the 6th year
Rate of Employee Turnover	For service 2 years and below 8% p.a. For service 3 years to 4 years 6.00% p.a. For service 5 years and above 4.00% p.a.	For service 2 years and below 8% p.a., for service 3-4 years 6% p.a., for service 5 years and above 4% p.a.
Mortality Rate During Employment	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)

@ The estimates for future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**b. Change in the Present Value of Obligation**

	As at March 31, 2020	As at March 31, 2019
Opening Present Value of Obligation	6.37	-
Current Service Cost	2.42	6.37
Interest Cost	0.49	-
<b>Total amount recognised in profit or loss</b>	<b>2.91</b>	<b>6.37</b>
<b>Remeasurements</b>		
(Gain)/Loss from change in financial assumptions	(1.23)	-
Experience (Gains)/Losses	(4.49)	-
<b>Total amount recognised in other comprehensive income</b>	<b>(5.72)</b>	<b>-</b>
Benefit/ Ex-gratia paid	-	-
<b>Closing Present Value of Obligation</b>	<b>15.00</b>	<b>6.37</b>



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

c. Balance Sheet Reconciliation	(Rs. million)	
	As at March 31, 2020	As at 31, 2019
Opening Net (Liability)/ Asset	(6.37)	-
Expenses Recognized in Statement of Profit or Loss	(2.91)	(6.37)
Expenses Recognized in OCI	(5.72)	-
Employer's Contribution	-	-
Net (Liability)/ Asset Recognised in the Balance Sheet	(15.00)	(6.37)

d. Amount recognized in the Balance sheet	(Rs. million)	
	As at March 31, 2020	As at 31, 2019
Present value of Obligation	(15.00)	(6.37)
Fair Value of Plan Assets	-	-
Funded Status ((Surplus/ (Deficit))	(15.00)	(6.37)
Net (Liability)/ Asset Recognised in the Balance Sheet	(15.00)	(6.37)

e. Expenses Recognised in the Statement of Profit and Loss	(Rs. million)	
	Year ended March 31, 2020	Year ended March 31, 2019
Current Service Cost	2.42	6.37
Interest Cost	0.49	-
Interest Income	-	-
<b>Total Expenses recognized in the statement of profit and loss*</b>	<b>2.91</b>	<b>6.37</b>

\* included in Employee Benefits Expense

f. Expenses recognized in the Other Comprehensive Income	(Rs. million)	
	Year ended March 31, 2020	Year ended March 31, 2019
Re-measurement		
Actuarial (Gains)/Losses on Obligation For the year	(5.72)	-
Return on Plan Assets, Excluding amounts included in interest income	-	-
<b>Net (Income)/Expenses for the Period Recognized in OCI</b>	<b>(5.72)</b>	<b>-</b>

g. Sensitivity Analysis	(Rs. million)	
	Year ended March 31, 2020	Year ended March 31, 2019
Projected Benefit Obligation on Current Assumptions	15.00	6.37
Delta Effect of +1% Change in Rate of Discounting	(1.36)	(0.52)
Delta Effect of -1% Change in Rate of Discounting	1.61	0.61
Delta Effect of +1% Change in Rate of Salary increase	1.62	0.62
Delta Effect of -1% Change in Rate of Salary increase	(1.39)	(0.54)
Delta Effect of +1% Change in Rate of Employee Turnover	0.26	0.14
Delta Effect of -1% Change in Rate of Employee Turnover	(0.50)	(0.16)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability/asset recognised in the balance sheet

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

h. Defined benefit liability and employer contributions

The weighted average duration of the defined benefit obligation is 13 years (March 31, 2019 - 11 years). The expected maturity analysis of undiscounted gratuity is as follows:

Particulars	(Rs. million)					Total
	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Between 5 - 10 years	11 years and above	
<b>March 31, 2020</b>						
Defined benefit obligation (gratuity)	1.38	0.96	2.55	6.02	25.16	36.07
<b>Total</b>	<b>1.38</b>	<b>0.96</b>	<b>2.55</b>	<b>6.02</b>	<b>25.16</b>	<b>36.07</b>
<b>March 31, 2019</b>						
Defined benefit obligation (gratuity)	0.43	0.42	2.03	1.99	10.66	15.53
<b>Total</b>	<b>0.43</b>	<b>0.42</b>	<b>2.03</b>	<b>1.99</b>	<b>10.66</b>	<b>15.53</b>

iii Other Employee Benefit

The liability for compensated absences as at year end is Rs. 9.78 million (March 31, 2019 - Rs. 5.41 million).





WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Particulars	Year ended March 31, 2020 (Rs. million)	Year ended March 31, 2019 (Rs. million)
<b>Note 22 : Depreciation and amortization expense</b>		
Depreciation on Tangible Assets (Refer Note 3)	224.42	0.41
Amortisation on Intangible Assets (Refer Note 4)	3.57	0.32
Depreciation of Right-of-use assets	3.06	-
<b>Total</b>	<b>231.05</b>	<b>0.73</b>
<b>Note 23 : Other Expenses</b>		
Contract Labour Charges	29.64	-
Rent [Refer Note 36]	0.09	1.51
Legal and Professional Charges	26.79	19.36
Insurance	5.88	-
Water charges	0.08	-
Rates and Taxes	3.82	21.20
Power, Fuel and Water Charges	125.08	-
Security Expenses	8.76	-
Directors' Sitting Fees	0.08	0.14
Printing and Stationery	0.51	-
Postage and Courier	4.17	2.19
Exchange Loss (Net)	54.94	-
Design and Development Expenses	2.83	-
Travelling and Conveyance	77.91	-
Loss on Sale of Share/Mutual fund	0.15	-
Advertising and Sales Promotion	0.19	-
Royalty Expenses	-	2.50
Guest house expenses	4.48	-
Payments to Auditors (Refer Note 23 (a) below)	1.27	1.13
Office expenses	8.15	-
Certification charges	3.17	-
Recruitment expenses	3.56	-
Miscellaneous	13.97	4.76
<b>Total Other Expenses</b>	<b>375.52</b>	<b>52.79</b>
Note:		
<b>Note 23(a): Details of Payments to Auditors</b>		
As auditor	1.10	1.00
For Other Services	0.08	0.08
For Reimbursement of expenses	0.09	0.05
<b>Total</b>	<b>1.27</b>	<b>1.13</b>
<b>Note 24: Finance Cost</b>		
Interest on Term Loan	166.42	-
(Net of Interest Subsidy Rs 151.82 Million (Previous Year NIL))		
Interest to Others	-	0.16
Discounting and Bank and Other Charges	37.15	10.58
Interest on Lease Liabilities	0.96	-
<b>Total</b>	<b>204.53</b>	<b>10.74</b>



WELSPUN FLOORINGLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 25: Income tax expenses

This note provides an analysis of the Company's income tax expense, show amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Company's tax positions.

Pursuant to the changes in the tax rates, with effect from April 1, 2019 the Company has opted for lower tax rates.

(a) Statement of Profit and Loss

	(Rs. million)	
	March 31, 2020	March 31, 2019
<b>Current Tax</b>		
Current Tax for the year	-	5.61
<b>Total Current Tax Expense</b>	-	5.61
<b>Deferred Tax</b>		
Relating to originating and reversal of temporary differences	-	4.88
<b>Total Deferred Tax Expense</b>	-	4.88
		-
<b>Income Tax Expense</b>	-	10.49

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate

	(Rs. million)	
	Year Ended March 31, 2020	Year Ended March 31, 2019
<b>Loss for the year before Income Tax Expense</b>	(845.24)	(35.89)
Tax at the Indian tax rate @ 25.17% (Previous Year : 27.82%)	(212.75)	(9.99)
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income</b>		
Preoperative Expenses not allowable as deduction	-	19.64
Deffered tax assets not created	212.75	-
Others	-	0.84
<b>Income tax Expenses</b>	-	10.49

Deffered Tax assets amounting to Rs. 212.75 million have not been created on losses.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 26 : Fair value measurements

Financial instruments by category

(Rs. million)

	March 31, 2020			March 31, 2019		
	FVPL	FVOCI	Amortised	FVPL	FVOCI	Amortised
<b>Financial assets</b>						
Cash and cash equivalents	-	-	3.32	-	-	72.59
Bank Balances other than Cash and Cash Equivalents	-	-	2.53	-	-	10.89
Security deposits	-	-	15.94	-	-	0.21
Interest accrued on fixed deposit, bonds and certificates	-	-	-	-	-	0.03
Government Grant Receivable	-	-	1,221.93	-	-	-
Interest Receivable under Subvention Scheme	-	-	315.43	-	-	-
<b>Total financial assets</b>	-	-	<b>1,559.15</b>	-	-	<b>83.72</b>
<b>Financial liabilities</b>						
Borrowings and interest accrued thereon	-	-	6,724.72	-	-	2,872.56
Trade payables	-	-	576.20	-	-	81.41
Lease Liability	-	-	9.61	-	-	-
Creditors for Capital Purchases	-	-	298.82	-	-	367.55
Other financial liabilities	-	-	80.35	-	-	10.39
<b>Total financial liabilities</b>	-	-	<b>7,689.70</b>	-	-	<b>3,331.91</b>

(i) Fair value of Financial assets and liabilities measured at amortised cost

(Rs. million)

	March 31, 2020		March 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	3.32	3.32	72.59	72.59
Bank Balances other than Cash and Cash Equivalents	2.53	2.53	10.89	10.89
Security deposits	15.94	15.94	0.21	0.21
Interest accrued on fixed deposit, bonds and certificates	-	-	0.03	0.03
Government Grant Receivable	1,221.93	1,221.93	-	-
Interest Receivable under Subvention Scheme	315.43	315.43	-	-
<b>Total</b>	<b>1,559.15</b>	<b>1,559.15</b>	<b>83.72</b>	<b>83.72</b>
<b>Financial liabilities</b>				
Borrowings and interest accrued thereon	6,724.72	6,724.72	2,872.56	2,872.56
Trade payables	576.20	576.20	81.41	81.41
Lease Liability	9.61	9.61	-	-
Creditors for Capital Purchases	298.82	298.82	367.55	367.55
Other financial liabilities	80.35	80.35	10.39	10.39
<b>Total</b>	<b>7,689.70</b>	<b>7,689.70</b>	<b>3,331.91</b>	<b>3,331.91</b>

The carrying amount of cash and cash equivalents, bank balances other than cash and cash equivalents, government grants, interest subsidy and incentive, trade payable, capital creditors and other current financial liabilities are considered to be approximately same as their fair value, due to their short-term nature and have been classified as level 3 in the fair value hierarchy.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

(ii) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(Rs. million)

Financial assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2020	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and cash equivalents	8(a)	-	-	3.32	3.32
Bank Balances other than Cash and Cash Equivalents	8(b)	-	-	2.53	2.53
Security deposits		-	-	15.94	15.94
Government Grant Receivable	5 & 8 (c)	-	-	1,221.93	1,221.93
Interest Receivable under Subvention Scheme		-	-	315.43	315.43
<b>Total financial assets</b>		-	-	<b>1,559.15</b>	<b>1,559.15</b>
<b>Financial Liabilities</b>					
Borrowings and interest accrued thereon	11(a) & 14(b)	-	-	6,724.72	6,724.72
Trade payables	14(a)	-	-	576.20	576.20
Lease Liability	36	-	-	9.61	9.61
Creditors for Capital Purchases	14(b)	-	-	298.82	298.82
Other financial liabilities	14(b)	-	-	80.35	80.35
<b>Total financial liabilities</b>		-	-	<b>7,689.70</b>	<b>7,689.70</b>

(Rs. million)

Financial assets and liabilities which are measured at amortised cost for which fair values are disclosed At March 31, 2019	Notes	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Cash and Cash Equivalent	8(a)	-	-	72.59	72.59
Bank Balances other than Cash and Cash Equivalents	8(b)	-	-	10.89	10.89
Security deposits	5 & 8 (c)	-	-	0.21	0.21
Interest Accrued on Deposits		-	-	0.03	0.03
<b>Total financial assets</b>		-	-	<b>83.72</b>	<b>83.72</b>
<b>Financial Liabilities</b>					
Borrowings and interest accrued thereon	11(a) & 14(b)	-	-	2,872.56	2,872.56
Trade payables	14(a)	-	-	81.41	81.41
Creditors for Capital Purchases	14(b)	-	-	367.55	367.55
Other financial liabilities	14(b)	-	-	10.39	10.39
<b>Total financial liabilities</b>		-	-	<b>3,331.91</b>	<b>3,331.91</b>

The above mentioned grouping into Level 1 to Level 3, is described below.

Level 1: This hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, exchange traded funds and mutual funds that have quoted price. The fair value of all equity instruments which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (such as traded bonds, debentures, government securities and commercial papers) is determined using Fixed Income Money Market and Derivatives Association of India (FIMMDA) inputs and valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The mutual funds are valued using the closing Net Assets Value (NAV). NAV represents the price at which the issuer will issue further units and will redeem such units of mutual fund to and from the investors.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted preference shares and security deposits included in level 3.

There are no internal transfers of financial assets and financial liabilities between Level 1, Level 2 and Level 3 during the period. The Company's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of reporting period.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

## Note 27 : Financial Risk Management

The Company's activities are exposed to market risk, liquidity risk and credit risk. In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost	Ageing analysis	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Indian Rupee (INR)	Cash flow forecasting Sensitivity analysis	Forward Foreign Exchange Contracts
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity Analysis	The Company achieves the optimum interest rate profile by benchmarking borrowing rates that represent economic variables in which the Company operates. Further, the Company is eligible for interest subsidy of upto 8% p.a. on the term loans as a result the Company does not hedge these.

The Company's risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company's treasury team identifies, evaluates and hedges financial risks in close cooperation with the Company's respective department heads. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## (A) Credit risk

Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to wholesale customers including outstanding receivables.

## (i) Credit Risk Management

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with bank and financial institution, foreign exchange transactions.

## Trade Receivable

As per the Business Model, entire sales are made of Welspun Global Brands Limited (WGBL) a group Company. The following table gives details in respect of percentage of revenue generated from the top ten customers.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from top 10 Customers	100.00%	0.00%

## Other financial assets

The Company maintains exposure in cash and cash equivalents, term deposits with banks.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

## (B) Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

## (i) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

As at	(Rs. million)	
	March 31, 2020	March 31, 2019
<b>Floating rate</b>		
Expiring within one year (packing credit, bank overdraft and other facilities)	324.09	-
Expiring within one year (commitment from Holding Company)	965.00	-
Expiring beyond one year (Term Loans)	1,724.11	5,229.20
<b>Total</b>	<b>3,013.20</b>	<b>5,229.20</b>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

## (ii) Maturities of Financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
  - net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.
- The amounts disclosed in the table are the contractual undiscounted cash flows.

As at March 31, 2020

Contractual maturities of financial liabilities	(Rs. million)						
	Less than 3 Months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Beyond 5 years	Total
<b>Non-derivatives</b>							
Borrowings	475.83	153.28	319.36	854.85	2,987.02	5,773.88	10,565.12
Trade payables	576.20	-	-	-	-	-	576.20
Other financial liabilities	351.44	7.54	19.09	1.11	-	-	379.18
Lease liabilities	1.20	1.20	2.40	5.53	1.11	-	11.44
<b>Total non-derivative liabilities</b>	<b>1,404.67</b>	<b>162.02</b>	<b>340.85</b>	<b>861.49</b>	<b>2,989.03</b>	<b>5,773.88</b>	<b>11,531.94</b>

As at March 31, 2020

Derivative Financial Instruments (based on contracted rates)	(Rs. million)						
	Less than 3 Months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Beyond 5 years	Total
Forward contracts USD- INR	112.29	-	-	-	-	-	112.29
Forward contracts EUR- INR	98.46	-	34.53	-	-	-	132.99
<b>Total</b>	<b>210.75</b>	<b>-</b>	<b>34.53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245.28</b>

As at March 31, 2019

Contractual maturities of financial liabilities	(Rs. million)						
	Less than 3 Months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Beyond 5 years	Total
<b>Non-derivatives</b>							
Borrowings	73.98	71.85	143.71	315.85	1,317.57	3,095.73	5,018.70
Trade payables	81.41	-	-	-	-	-	81.41
Other financial liabilities	10.39	367.55	-	-	-	-	377.94
<b>Total non-derivative liabilities</b>	<b>165.78</b>	<b>439.41</b>	<b>143.71</b>	<b>315.85</b>	<b>1,317.57</b>	<b>3,095.73</b>	<b>5,478.05</b>
<b>Derivatives (net settled)</b>							
Foreign exchange forward contracts	-	-	-	-	-	-	-
<b>Total derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## (C) Market risk

## (i) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies mainly towards import procurement of Capital Goods; consequently, exposures to exchange rate fluctuations arise. The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments, highly probable forecast transactions and foreign currency required at the settlement date of certain receivables/payables. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's risk management policy and procedures.

## (a) Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period in India Rupees are as follows:

Foreign Currency	March 31, 2020			March 31, 2019		
	USD	EUR	Others*	USD	EUR	Others*
<b>Financial Assets</b>						
Trade Receivables	-	-	-	-	-	-
<b>Net exposure to foreign currency risk (assets)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
Borrowing	-	-	-	-	-	-
Trade payables and provisions	215.76	5.51	-	-	-	-
Other financial liabilities	47.65	82.56	2.92	188.70	87.41	4.45
Foreign exchange forward contracts	(16.72)	(32.95)	-	-	-	-
<b>Net exposure to foreign currency risk (liabilities)</b>	<b>246.69</b>	<b>55.12</b>	<b>2.92</b>	<b>188.70</b>	<b>87.41</b>	<b>4.45</b>
<b>Net open exposures (assets-liabilities) - assets / (liabilities)</b>	<b>(246.69)</b>	<b>(55.12)</b>	<b>(2.92)</b>	<b>(188.70)</b>	<b>(87.41)</b>	<b>(4.45)</b>

\* Others consists of GBP and CNY

Amount of financial hedge, as mentioned above do not include outstanding forward contracts of Rs. 204.77 Million (March 31, 2019: Nil) that are towards firm commitment / highly probable forecast transactions to purchase where corresponding exposure is yet to be recorded in the books.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

(b) Foreign currency sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and foreign forward exchange contracts (Rs. million)

	Impact on profit before tax	
	31-Mar-20	March 31, 2019
<b>USD sensitivity</b>		
USD - INR - Increase by 5 % (March 31, 2019 - 5%)*	(12.33)	(9.44)
USD - INR - Decrease by 5 % (March 31, 2019 - 5%)*	12.33	9.44
<b>EURO sensitivity</b>		
EURO - INR - Increase by 4 % (March 31, 2019 - 5%)*	(2.20)	(4.37)
EURO - INR - Decrease by 4 % (March 31, 2019 - 5%)*	2.20	4.37
(EURO sensitivity also calculated for EURO/USD forward contracts outstanding as on March 31, 2020)		

\* Holding all other variables constant

(c) Fair value hedge

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments, and foreign currency required at the settlement date of certain payables. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's risk management policy and procedures.

As at March 31, 2020

Following tables disclose profile of timing of the nominal amount of foreign exchange forward contracts:

Foreign Exchange Forward Contracts	Less than 3 Months		3 months to 6 months		6 months to 1 year		Total
	Amount in Million	Average Rate (Rs.)	Amount in Million	Average Rate (Rs.)	Amount in Million	Average Rate (Rs.)	
Forward contracts USD- INR	1.48	75.85	-	-	-	-	1.48
Forward contracts EUR- INR	1.21	81.07	-	-	0.40	85.68	1.61
<b>Total</b>	<b>2.69</b>				<b>0.40</b>		<b>3.09</b>

(ii) Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The Company uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short term loans. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

(a) Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

Particulars	(Rs. million)	
	As at March 31, 2020	As at March 31, 2019
Fixed rate borrowings	95.18	-
Floating rate borrowings	6,601.79	2,870.44
<b>Total borrowings</b>	<b>6,696.97</b>	<b>2,870.44</b>

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

	31-Mar-20			March 31, 2019		
	Weighted average interest rate	Balance	% of total loans	Weighted average interest rate	Balance	% of total loans
Borrowings - Term Loan	9.54%	6,425.89	96%	9.63%	2,870.44	100%
Net exposure to cash flow interest rate risk	-	6,425.89	-	-	2,870.44	-

(b) Sensitivity

Profit or (loss) is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates.

	Impact on profit before tax	
	31-Mar-20	March 31, 2019
Increase by 25 basis points (March 31, 2019 - 25 basis points)*	(16.06)	(7.18)
Decrease by 25 basis points (March 31, 2019 - 25 basis points)*	16.06	7.18

\* Holding all other variables constant including change in interest subsidy



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

**Note 28 : Capital Management**

**(a) Risk management**

The Company's objectives when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth. The Company's overall strategy remains unchanged from previous year.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital investments. The funding requirements are met through a mixture of equity, internal fund generation and other long term borrowings. The Company's policy is to use short-term and long-term borrowings to meet anticipated funding requirements.

The Company monitors capital on the basis of the net debt to equity ratio. The Company is not subject to any externally imposed capital requirements. Net debt are long term and short term debts as reduced by cash and cash equivalents (including restricted cash and cash equivalents) and short-term investments. Equity comprises all components excluding other components of equity (which comprises the cash flow hedges, translation of foreign operations and available-for-sale financial investments).

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents)

divided by

Total equity (as shown in the balance sheet)

The Company's strategy is to maintain a gearing ratio within 3:1. The gearing ratios were as follows:

	March 31, 2020	March 31, 2019
Non-current borrowings	6,313.64	2,870.44
Current maturities of Long term debt	64.25	-
Current borrowings	271.09	-
Less: cash and cash equivalent	(3.32)	(72.59)
Net debt	6,645.66	2,797.85
Total equity	2,295.16	2,283.92
Gearing ratio	2.90	1.23

**(i) Loan covenants**

Under the terms as mentioned in the term loan agreement with banks, the Company is required to comply with the following financial covenants:

- at least 20% base equity contribution shall be brought in form of equity share capital
- Minimum Fixed assets Coverage ratio (FACR) not less than 1.25 times
- Minimum Debt Service Coverage Ratio (DSCR) not less than 1.25 times
- Maximum Total Rupee Facility to Tangible Net Worth Ratio not greater than 3 times till FY 2023 and 2.25 times thereafter
- Maximum Total Facility to Tangible Net Worth Ratio not greater than 4 times till FY 2023 and 3 times thereafter
- Debt to Equity ratio should not exceed 71.94 : 28.06 i.e. 2.56 (Total Outstanding Facility divided by Equity contributions including convertible preference share capital, convertible debentures made by Holding Company)

	March 31, 2020	March 31, 2019
Non-current borrowings	6,313.64	2,870.44
Current maturities of Long term debt	64.25	-
Current borrowings	271.09	-
Interest accrued on Long term debt	75.74	2.12
Total outstanding facility	6,724.72	2,872.56
Equity contributions made by Holding Company	3,214.38	2,352.18
Debt to Equity Ratio	2.09	1.22

The Company has complied with these covenants throughout the reporting period.

**Note 29 : Estimation uncertainty relating to the global health pandemic on COVID-19**

On 11 March 2020, the World Health Organization characterized the outbreak of the new coronavirus ("COVID-19") as a pandemic. This outbreak of COVID-19 is causing significant disturbance and slowdown of economic activities globally and in India. The operations of the Company were impacted, due to shutdown / temporary closure of plant and office following lockdown in the States as per directives from the Government of India. The Company has resumed operations in a phased manner as per directives from the Government of India.

In assessing the recoverability of carrying amounts of Company's assets such as property, plant & equipment, inventories, and other assets, the Group has considered various internal and external information up to the date of approval of these financial statements. The assessment was based on various estimates and assumptions including estimates of assets, cash flow projections, operating performance including expected order book and margins based on forecasts of demand in domestic and global markets. The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets.

Further, the Company has made detailed assessment of its liquidity position (including servicing of debts) for next one year as the Company has commenced the commercial production from current year and being in initial state of the business, had incurred a net cash loss during the current year. Basis assessment, the Company has concluded that the Company may need financial support and parent company has agreed to provide the same. Accordingly, the Company will be able to meet all its obligations for next one year. Therefore, the financial statements are prepared on going concern basis.

The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Group will continue to closely monitor any material changes to future economic conditions.





WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 30 : Related Party Disclosures

(i) Names of related parties and nature of relationships:

(a) Enterprise where control exists Holding company Ultimate holding company	Welspun India Limited (WIL) Prasert Multiventure Private Limited (till May 20, 2019) Welspun Group Master Trust (WGMT) (with effect from May 21, 2019)																						
(b) Fellow subsidiary company	Welspun Global Brands Limited (WGBL) Welspun USA Inc. (WUSA)																						
Personnel or relatives of such personnel exercise significant influence or control and with whom transactions have taken place during the year	Welspun Corp Limited (WCL) AYM Syntex Limited (AYM)																						
(d) Key Management Personnel	<table border="1"> <thead> <tr> <th data-bbox="536 936 762 958">Name</th> <th data-bbox="767 936 916 958">Nature of relationship</th> </tr> </thead> <tbody> <tr> <td data-bbox="536 958 762 981">Rajesh Rameshkumar Mandawewala</td> <td data-bbox="767 958 823 981">Director</td> </tr> <tr> <td data-bbox="536 981 762 1003">Dipali Goenka</td> <td data-bbox="767 981 823 1003">Director</td> </tr> <tr> <td data-bbox="536 1003 762 1025">Altaf Jiwani</td> <td data-bbox="767 1003 823 1025">Director</td> </tr> <tr> <td data-bbox="536 1025 762 1048">Devendra Patil</td> <td data-bbox="767 1025 823 1048">Director</td> </tr> <tr> <td data-bbox="536 1048 762 1070">Mukesh Sawalani</td> <td data-bbox="767 1048 1238 1070">(Chief Executive Officer and Whole Time Director w.e.f. June 1, 2018) (MS)</td> </tr> <tr> <td data-bbox="536 1070 762 1093">Sharad Agarwal</td> <td data-bbox="767 1070 1238 1093">(Chief Financial Officer w.e.f. June 1, 2018 till February 16, 2019) (SA)</td> </tr> <tr> <td data-bbox="536 1093 762 1115">Shashikant Sahco</td> <td data-bbox="767 1093 1238 1115">(Chief Financial Officer w.e.f. February 16, 2019 till June 19, 2020) (SS)</td> </tr> <tr> <td data-bbox="536 1115 762 1137">Pradeep Poddar</td> <td data-bbox="767 1115 935 1137">Independent Director (PP)</td> </tr> <tr> <td data-bbox="536 1137 762 1160">Shashikant Thorat</td> <td data-bbox="767 1137 895 1160">Company Secretary</td> </tr> <tr> <td data-bbox="536 1160 762 1182">Chirag Goenka</td> <td data-bbox="767 1160 1038 1182">Chief Financial Officer w.e.f. June 25, 2020</td> </tr> </tbody> </table>	Name	Nature of relationship	Rajesh Rameshkumar Mandawewala	Director	Dipali Goenka	Director	Altaf Jiwani	Director	Devendra Patil	Director	Mukesh Sawalani	(Chief Executive Officer and Whole Time Director w.e.f. June 1, 2018) (MS)	Sharad Agarwal	(Chief Financial Officer w.e.f. June 1, 2018 till February 16, 2019) (SA)	Shashikant Sahco	(Chief Financial Officer w.e.f. February 16, 2019 till June 19, 2020) (SS)	Pradeep Poddar	Independent Director (PP)	Shashikant Thorat	Company Secretary	Chirag Goenka	Chief Financial Officer w.e.f. June 25, 2020
Name	Nature of relationship																						
Rajesh Rameshkumar Mandawewala	Director																						
Dipali Goenka	Director																						
Altaf Jiwani	Director																						
Devendra Patil	Director																						
Mukesh Sawalani	(Chief Executive Officer and Whole Time Director w.e.f. June 1, 2018) (MS)																						
Sharad Agarwal	(Chief Financial Officer w.e.f. June 1, 2018 till February 16, 2019) (SA)																						
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Pradeep Poddar	Independent Director (PP)																						
Shashikant Thorat	Company Secretary																						
Chirag Goenka	Chief Financial Officer w.e.f. June 25, 2020																						

(i) Terms and Conditions

- All transactions with related parties are priced on an arm's length basis and resulting outstanding balances are to be settled in cash.
- All outstanding balances are unsecured.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 30 : Related party transactions

PARTICULARS	WIL	WGBL	WUSA	WASEZ	WCL	AYM	Key management Personnel**				Total
							PP	SA	SS	MS	
Transactions during the year											
Purchase of Services/ Expenses incurred *	23.01	-	-	-	-	114.02	-	-	-	-	137.03
Purchase of Fixed Assets / Capital Goods *	(10.33)	-	-	-	(1.13)	-	(0.33)	-	-	-	(11.79)
	9.04	-	-	-	-	-	-	-	-	-	9.04
Corporate Guarantee commission	(11.20)	-	-	-	-	-	-	-	-	-	(11.20)
	24.28	-	-	-	-	-	-	-	-	-	24.28
	(8.01)	-	-	-	-	-	-	-	-	-	(8.01)
Reimbursement of Expenses	-	0.35	127.73	-	0.11	-	-	-	-	-	128.19
	-	-	(51.75)	-	-	-	-	-	-	-	(51.75)
Purchase of Goods/ MEIS Licenses	24.47	5.56	-	-	-	-	-	-	-	-	30.03
	(6.44)	(1.34)	-	-	-	-	-	-	-	-	(7.78)
Sale of Goods *	-	467.84	-	-	-	-	-	-	-	-	467.84
Remuneration & Commission	-	-	-	-	-	-	-	-	5.53	16.66	22.19
Director Sitting Fee	-	-	-	-	-	-	-	(3.56)	(0.65)	(10.42)	(14.63)
	-	-	-	-	-	-	0.08	-	-	-	0.08
	-	-	-	-	-	-	(0.14)	-	-	-	(0.14)
Loan Advance & Deposits Received #	129.80	-	-	-	-	-	-	-	-	-	129.80
	(312.00)	-	-	-	-	-	-	-	-	-	(312.00)
Repayment Loans, Advances and Deposits received	25.80	-	-	-	-	-	-	-	-	-	25.80
Interest Expenses	9.42	-	-	-	-	-	-	-	-	-	9.42
	(4.09)	-	-	-	-	-	-	-	-	-	(4.09)
Issue of Equity Shares	-	-	-	-	-	-	-	-	-	-	-
Issue of Preference Shares Shares	147.82	-	-	-	-	-	-	-	-	-	147.82
	(1,576.78)	-	-	-	-	-	-	-	-	-	(1,576.78)
Issue of Debentures	714.38	-	-	-	-	-	-	-	-	-	714.38
Corporate Guarantee Received	500.00	-	-	-	-	-	-	-	-	-	500.00
	(5,100.00)	-	-	-	-	-	-	-	-	-	(5,100.00)
Closing Balances											
Equity Share Capital	650.00	-	-	-	-	-	-	-	-	-	650.00
	(650.00)	-	-	-	-	-	-	-	-	-	(650.00)
Preference Share Capital	1,850.00	-	-	-	-	-	-	-	-	-	1,850.00
	(1,702.18)	-	-	-	-	-	-	-	-	-	(1,702.18)
Issue of Debentures	714.38	-	-	-	-	-	-	-	-	-	714.38
Loans, Advances and Deposits received (including Interest Accrued on thereon)	119.68	-	-	-	-	-	-	-	-	-	119.68
	(8.01)	-	-	-	-	-	-	-	-	-	(8.01)
Share Application Money Pending Allotment	-	-	-	-	-	-	-	-	-	-	-
Trade Payables and Advance received from customers	43.68	82.77	176.48	-	0.03	60.68	-	-	-	-	363.64
	(14.05)	(1.34)	(51.14)	-	(1.13)	-	-	-	-	-	(67.70)
Receivables	-	-	-	-	-	-	-	-	-	-	-
Corporate Guarantee - Balance Outstanding	8,650.00	-	-	-	-	-	-	-	-	-	8,650.00
	(11,150.00)	-	-	-	-	-	-	-	-	-	(11,150.00)
Other Commitments	965.00	-	-	-	-	-	-	-	-	-	965.00

Previous years figures are given in brackets.

\* Amount is inclusive of taxes

\*\* As the benefits for defined benefit plans and compensated absences are provided on actuarial basis for the Company as a whole the amount pertaining to KMP's are not included in the above table

# Loans of Rs. 23 million received during the year were converted to 0% Compulsorily Convertible Debentures (March 31, 2019) Loans and interest net of TDS were converted to 8% Non-Cumulative Compulsorily Convertible Preference Shares



## Notes to the financial statements for the year ended March 31, 2020

## 36 Lease as lessee

The Company has lease contracts for various items of other equipment used in its operations. Leases of other equipment generally have lease terms between 3 and 4 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options.

The Company also has certain leases with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and lease of low value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

Particulars	(Rs. million)	
	Right of use of assets	Other Equipments
As at April 1, 2019		4.44
Lease adjustments		2.25
Additions		5.83
Depreciation expense		(3.06)
As at March 31, 2020		9.46

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Particulars	(Rs. million)	
	Total	
As at April 1, 2019	4.44	
Accretion of interest	0.96	
Lease adjustments	2.25	
Additions	5.83	
Payments	(3.88)	
As at March 31, 2020	9.60	
Current lease liabilities	3.84	
Non-Current lease liabilities	5.77	

The following are the amounts recognized in statement of profit and loss:

Particulars	(Rs. million)	
	Total	
Depreciation expense of right-of-use assets	3.06	
Interest expense on lease liabilities	0.96	
Expense relating to short-term leases (included in other expenses)	2.24	
Total amount recognized in profit or loss	6.26	

Considering the lease term of the leases, the effective interest rate for lease liabilities is 10%

The Company had total cash outflows for leases of Rs. 6.11 million in March 31, 2020. There are no future cash outflows relating to leases that have not yet commenced.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased- asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.



WELSPUN FLOORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Note 37 : Pursuant to the investment in the project in Telangana, the State Cabinet via letter G.O.Ms. No. 19 dated March 23, 2018 agreed to extend the customized government incentives to Welspun Flooring Limited, basis which the Company is eligible for various subsidies including one time capital subsidy, rebate on land cost, reimbursement of stamp duty payment and others. During the year, the Company had commenced commercial production and accordingly filed claim aggregating to Rs. 1,098.30 million, in respect of one-time capital subsidy, reimbursement of land cost and stamp duty, with concerned authorities. Out of total claim, the concerned authorities had sanctioned claim aggregating Rs. 373.27 million for the above-mentioned subsidies. The Company believes that the approval for the balance amount of Rs. 725.03 million will be received in due course.

The Company has classified above mentioned subsidies as capital subsidy as these are linked with investments made in the project and has recorded government grant receivables and corresponding deferred income of Rs. 1,098.30 million being the full amount of one-time capital subsidy, reimbursement of land cost and stamp duty. However, the government grant income recognized in statement of profit and loss i.e., Rs. 12.44 million with respect to the above subsidies is restricted to the amount sanctioned by the concerned authorities in the proportion of depreciation expense on the underlying assets.

Note 38 : The figures for the previous year are re-arranged/ re-grouped, wherever necessary.

As per our report of even date

For S R B C & COLLP

Chartered Accountants

Firm Registration No: 324982E/E300003



Per Anil Jobanputra  
Partner  
Membership No. 110759


For and on behalf of the Board of Directors



Ataf Jiwani  
Director  
DIN 05166241



Devendra Patil  
Director  
DIN 00062784



Mukesh Sawalani  
CEO & Whole Time Director  
DIN 08169008



Chirag Goenka  
Chief Financial Officer  
Place: Mumbai  
Date: June 29, 2020



Shashikant Thorat  
Company Secretary

Place: Mumbai  
Date: June 29, 2020

