

RIECO INDUSTRIES LIMITED
1162/2, BEHIND OBSERVATORY, SHIVAJINAGAR, PUNE - 411005

BALANCE SHEET AS AT MARCH 31, 2020

(All amounts are in INR Lakhs, unless otherwise stated)

Particulars	Notes	As at March 31,2020	As at March 31,2019
ASSETS			
I. Non Current Assets			
(a) Property, plant and equipment	3	275.5	269.6
(b) Right-of-use assets	4	225.2	-
(c) Intangible assets	5	69.1	38.4
(d) Other non current asset	6	20.0	-
(e) Other non current financial asset	7	13.0	-
(f) Deferred tax assets (net)	8	257.8	504.5
(g) Non-current tax assets (net)	9	159.5	87.0
		1,020.1	899.5
II. Current Assets			
(a) Inventories	10	1,938.4	1,961.3
(b) Financial assets			
(i) Trade receivables	11	1,798.8	3,080.7
(ii) Cash and cash equivalents	12	0.1	1.8
(iii) Other financial assets	13	346.3	50.8
(c) Other current assets	14	1,167.7	954.8
		5,251.3	6,049.4
Total Assets		6,271.4	6,948.9
EQUITY AND LIABILITIES			
I. Equity			
(a) Share capital	15	1,250.0	1,250.0
(b) Other equity	16	11.7	(800.6)
		1,261.7	449.4
II. Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Lease liabilities		207.0	-
(b) Other financials liabilities	17	-	35.0
(c) Provisions	18	56.3	66.2
		263.3	101.2
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	932.2	2,628.9
(ii) Lease liabilities		23.0	-
(iii) Trade payable	20		
(a) total outstanding dues of micro and small enterprises		340.5	128.9
(b) total outstanding dues other than (ii) (a) above		1,555.1	1,886.2
(iv) Other financial liabilities	21	251.6	114.9
(b) Other current liabilities	22	1,625.4	1,601.2
(c) Provisions	23	12.6	32.2
(d) Current tax liabilities (net)	9	6.0	6.0
		4,746.4	6,398.3
Total Equity and Liabilities		6,271.4	6,948.9
Summary of significant accounting policies	2		

The accompanying notes form an integral part of these Financial Statements.

As per our report of even date.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Regn. No.: 116231 W/W-100024

For and on behalf of the Board of Directors

VIKAS. R. BHATIA

Managing Director
01056616

S. PADMANABHAN

Director
00001207

ADWAIT MORWEKAR

Partner

Membership No.: 110223

Mumbai : 29 May 2020

BAIDYANATH M. MISHRA

Acting CFO

Pune : 29 May 2020

MANDAR. M. VELANKAR

Company Secretary

Pune : 29 May 2020

RIECO INDUSTRIES LIMITED
1162/2, BEHIND OBSERVATORY, SHIVAJINAGAR, PUNE - 411005
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2020
(All amounts are in INR Lakhs, unless otherwise stated)

Particulars	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Revenue from operations	24	11,843.5	11,653.7
Other income	25	119.5	158.4
Total Income		11,963.0	11,812.1
EXPENSES			
Cost of materials consumed	26	6,524.2	7,238.6
Purchase of stock in trade	27	285.8	303.8
(Increase) / decrease in inventories of finished goods, work-in-progress and stock in trade	28	(164.9)	680.3
Employee benefits expense	29	1,391.6	1,135.5
Finance cost	30	191.0	244.5
Depreciation and amortization expense	31	83.6	67.7
Other expenses	32	2,609.9	2,938.1
Total expenses		10,921.2	12,608.5
Profit before tax		1,041.8	(796.4)
Tax expense			
Current tax	42	-	-
Deferred tax		242.3	(128.4)
Total tax expense		242.3	(128.4)
Profit for the year		799.5	(668.1)
Other comprehensive income			
Items that will be reclassified to profit or loss			
Remeasurement gains / (losses) on post employment benefit obligations		17.1	(120.5)
Income tax relating to above		(4.3)	-
Other comprehensive income for the year, net of tax		12.8	(120.5)
Total comprehensive income for the year, net of tax		812.3	(788.6)
Earning per equity share [Nominal Value per share Rs. 10 (31st March, 2019- Rs. 10)]			
Basic and diluted	35	6.4	(5.3)
Summary of significant accounting policies	2		

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RIECO INDUSTRIES LIMITED
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STATEMENT OF CASH FLOW FOR THE YEAR ENDED March 31, 2020
(All amounts are in INR Lakhs, unless otherwise stated)

Particulars	For the year ended March 31, 2020	For the year ended March 31,2019
Cash flow from operating activities		
Profit before tax	1,041.8	(796.4)
Adjustments for:		
Depreciation/amortization	83.6	67.7
Finance costs	191.0	244.5
Allowance for expected credit loss	371.6	340.2
Interest income	2.9	18.8
(Profit)/Loss on sale of property, plant and equipment	0.9	23.5
Operating profit before working capital changes	1,691.8	(101.7)
Working capital adjustments:		
Increase / (decrease) in trade payables	(119.5)	(1,556.4)
Increase / (decrease) in provisions	(16.8)	(165.6)
Increase / (decrease) in other financial liabilities	101.7	(43.7)
Increase / (decrease) in other liabilities	24.2	(331.2)
(Increase) / decrease in trade receivables	910.3	182.3
(Increase) / decrease in inventories	22.9	890.5
(Increase) / decrease in other financial and other assets	(521.4)	814.3
Cash generated from operations	2,093.2	(311.5)
Direct taxes paid (net)	(68.0)	(46.5)
Net cash flow from operating activities (A)	2,025.2	(358.0)
Cash flows from investing activities		
Payment for purchase of tangible and intangible fixed assets (including capital work in progress)	(135.7)	(75.2)
Interest received	(2.9)	(18.8)
Proceeds from sale of fixed assets	(0.5)	3.5
Net cash flow (used in) investing activities (B)	(139.1)	(90.6)
Cash flows from financing activities:		
Proceeds from / (repayment) of short-term borrowings	(1,696.7)	693.6
Interest paid	(191.0)	(244.5)
Net cash flow (used in) financing activities (C)	(1,887.7)	449.1
Net increase / (decrease) in cash and cash equivalents (A + B + C)	(1.7)	0.5
Cash and cash equivalents at the beginning of the year	1.8	1.3
Cash and cash equivalents at the end of the year	0.1	1.8

Notes:

- (i) The above Cash Flow Statement has been prepared under the Indirect method set out in Indian Accounting Standard (Ind AS) 7 on Statement of Cash Flows.
(ii) For the purpose of cash flow, cash and cash equivalents comprise :

	As at March 31,2020	As at March 31, 2018
Cash on hand	-	1.2
With banks :		
On current account	0.1	0.1
Total cash and cash equivalents (refer note 12)	0.1	1.3

(iii) Reconciliation of liabilities arising from financing activities

Particulars	As at March 31,2019	Cash flows (Net)	Foreign exchange movement	As at March 31,2020
Working capital loan from banks	2,628.9	(1,696.7)	-	932.2

Summary of significant accounting policies 2

The accompanying notes form an integral part of these Financial Statements.

As per our report of even date.

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RIECO INDUSTRIES LIMITED
Statement of changes in Equity for the Year ended March 31, 2020

(All amounts are in INR Lakhs, unless otherwise stated)

A. Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

Particulars	Number	Amount
Balance as at 31 March 2018	12,500,000	1,250.0
Changes in equity share capital during 2018-19	-	-
Balance as at 31 March 2019	12,500,000	1,250.0
Changes in equity share capital during 2019-20	-	-
Balance as at 31 March 2020	12,500,000	1,250.0

B. Other Equity

Particulars	Reserves and Surplus			Other Equity	Total
	Capital Redemption Reserve	Surplus in the Statement of Profit and Loss	General Reserve		
Balance as at March 31, 2018	10.0	(182.3)	215.5	89.3	132.5
Impact on account of change in accounting policy due to Transition to Ind AS 115		(144.5)			(144.5)
Profit / (loss) for the year	-	(668.1)	-	-	(668.1)
Remeasurement of net defined benefit liability / asset, net of tax effect	-	(120.5)	-	-	(120.5)
Total comprehensive income for the year	-	(788.6)	-	-	(788.6)
Balance as at March 31, 2019	10.0	(1,115.4)	215.5	89.3	(800.6)
Profit / (loss) for the year	-	799.5	-	-	799.5
Remeasurement of net defined benefit liability / asset, net of tax effect	-	12.8	-	-	12.8
Total comprehensive income for the year	-	812.3	-	-	812.3
Balance as at March 31, 2020	10.0	(303.1)	215.5	89.3	11.7

Summary of significant accounting policies

2

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Pune : 29 May 2020

MANDAR. M. VELANKAR
Company Secretary
Pune : 29 May 2020

1. Background

RIECO Industries Limited (“the Company”) was incorporated on 30 October 1975 and is domiciled in India. The registered office of the Company is located at 1162/2 Shivaji Nagar, Behind Observatory, Pune, Maharashtra, India – 411005. The CIN of the Company is U24118MH1975PLC018631.

The Company manufactures and sells pollution control equipment, size reduction equipment and pneumatic conveying systems.

The financial statements of the Company for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2020.

2. Basis of preparation and significant accounting policies :**2.1 Basis of preparation:****i) Statement of Compliance:**

These financial statements have been prepared in accordance with Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, read with Section 133 of the Companies Act, 2013 (the “Act”) and other relevant provisions of the Act.

ii) Historical cost convention:

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

	Items	Measurement basis
(a)	Certain financial assets and liabilities (including derivatives instruments)	Fair value
(b)	Net defined benefit (asset)/ liability	Fair value of plan assets less present value of defined benefit obligations

iii) Current versus non-current classification:

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current, non-current classification of assets and liabilities.

2.2 Key Accounting Estimates and Judgements:

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in following notes:

(a) Useful life of depreciable assets:

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of assets including Intangible Assets.

(b) Recognition of deferred tax assets:

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, careful judgment is exercised in assessing the impact of any legal or economic limits or uncertainties in various tax issues.

(c) Revenue recognition:

The Company applies the percentage of completion method in accounting for certain customer contracts. Use of the percentage of completion method requires the Company to estimate the efforts or costs expended to date (input method) as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the expected contract estimates at the reporting date.

(d) Defined benefit obligation:

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

(e) Impairment of non-financial assets:

In assessing impairment, management has estimated economic usefulness of the assets, the recoverable amount of each asset or cash-generating units based on expected future cash flows and use of an interest rate to discount them. Estimation of uncertainty relates to assumptions about economically future operating cash flows and the determination of a suitable discount rate.

(f) Impairment of trade receivables:

The Company estimates the collectability of accounts receivable by analysing historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

(g) Provision for inventory obsolescence:

The Company identifies slow and non-moving stock of all inventories on an ongoing basis. These materials are then classified based on their expected shelf life to determine the possibility of utilisation / liquidation of these materials. Based on this study, a provision for slow and non-moving inventory is created.

(h) Estimation uncertainty relating to COVID-19 pandemic:

The Company has considered the possible effects that may result from COVID-19, a global pandemic, on the carrying amount of receivables, contract assets and inventories. In developing the assumptions relating to the possible future uncertainties in global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used an internal and external source of information including economic forecasts. The Company based on current estimates expects the carrying amount of the above assets will be recovered, net of provisions established.

2.3 Significant accounting policies:**(i) Foreign currency translation:****(a) Functional and Presentation Currency :**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is the Company's functional and presentation currency.

(b) Transactions and balances:

- Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in Profit or Loss and reported within foreign exchange gains/(losses), except when deferred in other comprehensive income as qualifying cash flow hedges.
- A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.
- Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of Profit and Loss, within finance costs.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other comprehensive income or profit or loss are also recognised in Other comprehensive income or profit or loss, respectively).

(ii) Property, plant and equipment:**(a) Recognition and measurement:**

Items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(b) Subsequent expenditure :

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(c) Depreciation:

- Depreciation on tangible assets is provided on the straight-line method on pro-rata basis, over the useful lives of assets as prescribed in Schedule – II of the Companies Act, 2013, except in respect of the following assets where, useful life of assets have been determined based on technical evaluation done by the management's expert:

Asset Class	Useful Life Adopted	Useful Life as per Schedule – II
Plant and Machinery	9.20	7.50

- Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iii) Leases

At inception of the contract, the Company determines whether the contract is a lease or contains a lease arrangement. A contract is, or contains, a lease 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 recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognized in the standalone statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease by lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in standalone statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Transition to Ind AS 116

MCA through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the Standard, recognised on the date of initial application (April 1, 2019). Accordingly, the Company has not restated comparative information. There is no impact of the cumulative effect of initially applying this standard that would need to be recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019.

Until 31 March 2019, the accounting policy applied by the Company was as below:

- (i) Leases in which a substantial portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments and receipts under such leases are recognised to the Statement of Profit and Loss on a straight-line basis over the term of the lease unless the lease payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases, in which case the same are recognised as an expense in line with the contractual term.
- (ii) Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee.

(iv) Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible asset arising from development activity is recognised at cost on demonstration of its technical feasibility, the intention and ability of the Company to complete, use or sell it, only if, it is probable that the asset would generate future economic benefit and the expenditure attributable to the said assets during its development can be measured reliably.

Amortisation:

- The useful lives of intangible assets are assessed as either finite or indefinite.
- Intangible assets i.e. registrations, computer softwares and technical knowhow are amortized on a straight-line basis over the period of expected future benefits. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Asset Class	Years
Registrations	10.00
Others	9.20

- Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

(v) Inventories:

Inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

(a) Raw materials:

Raw materials are valued at cost of purchase net of duties (credit availed w.r.t taxes and duties) and includes all expenses incurred in bringing the materials to location of use.

(b) Work-in-process and Finished Goods:

Work-in-process and finished goods include conversion costs in addition to the landed cost of raw materials.

(c) Stores and spares and packing material:

Stores, spares and tools cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

(d) Traded goods are valued at lower of cost and net realizable value. Cost included cost of purchase and other costs incurred in bringing the inventories to present location and condition. Cost is determined on weighted average basis.

(e) Provision is made for obsolete and non-moving items.

(vi) Cash and Cash Equivalents:

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with original maturity of three months or less, which are subject to an insignificant risk of changes in value. In the statements of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above net of outstanding bank overdrafts as they are considered as integral part of the Company's cash management.

(vii) Financial Instruments

(a) Financial Assets:

(1) Initial recognition:

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

(2) Subsequent measurement:

For purposes of subsequent measurement, financial assets are classified in three categories:

- **Financial assets at amortised cost:** A financial asset is subsequently measured at amortised cost using the effective interest method, if these assets are held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- **Financial assets at fair value:** A financial asset which are not measured at amortised cost are subsequently fair valued through profit or loss, unless the Company irrevocably elects on initial recognition to present changes in other comprehensive income.

In cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(3) Trade receivables:

Trade receivables are initially recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate method net of any expected credit losses. The EIR is the rate that discounts estimated future cash income through the expected life of financial instrument. The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information.

(4) De-recognition:

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

(5) 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. The Company follows ‘simplified approach’ for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets the Company recognises 12 month expected credit losses for all originated or acquired financial assets if at the reporting date, the credit risk has not increased significantly since its original recognition. However, if credit risk has increased significantly, lifetime ECL is used.

ECL impairment loss allowance (or reversal) recognized in the statement of profit and loss.

(b) Financial Liabilities:**(1) Initial recognition and measurement:**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

(2) Subsequent measurement:

Financial liabilities are subsequently measured at amortised cost using the EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

(3) Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(c) Derivatives:

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

(d) Offsetting of financial instruments:

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

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind-AS 109 and the amount recognised less cumulative amortisation.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as fees receivable under “other financial assets” or as a part of the cost of the investment, depending on the contractual terms.

(viii) Provisions and Contingent Liabilities:

- Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. If the effect of the time value of money is material, provisions are discounted to reflect its present value using a current pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
- 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 the obligation or a reliable estimate of the amount cannot be made.

(ix) Revenue Recognition :

The Company earns revenue primarily from manufacture and sale of pollution control equipment, size reduction equipment and pneumatic conveying systems. The equipment are customised based on specific customer requirements.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services. Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions pertain to some contracts which include provision of erection and commissioning services, the pricing of which varies based on the time spent towards erection and commissioning. However, the effect of this variability is not material.

In respect of customised products based on specific customer requirement, each equipment/ system is considered as a separate performance obligation. The performance obligations are satisfied over a period of time. Revenue on such contracts is recognised using the percentage of completion method. The Company measures the progress towards complete satisfaction of performance obligation based on input method. The stage of completion of the contract is measured by comparing the cost incurred on the project with the total estimated cost for the project. This is considered a faithful depiction of entity's performance to date.

Revenue is measured based on the transaction price, which is the consideration, adjusted for trade discounts, volume rebates, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts and there is unconditional right to receive cash, and only passage of time is required, as per contractual terms (only act of invoicing is pending).

Unearned and deferred revenue (“contract liability”) is recognized when there are billings in excess of revenues.

In accordance with Ind AS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation a cumulative adjustment is accounted for.

The Company has availed the practical exemption to not account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less.

(x) Employee Benefits :

(a) Short Term Employee Benefits:

The distinction between short term and long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and are recognised in the period in which the employee renders the related service. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

(b) Post-Employment Benefits:

(1) Defined contribution plans:

The contributions to provident fund and superannuation schemes are recognised in the statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

(2) Defined benefit plans:

The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. The fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

(3) Compensated absences:

The employees of the Company are entitled to compensated absences. The employees can carry forward a portion of the unutilized accumulating compensated absences and utilize it in future periods or receive cash at retirement or termination of employment. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement.

Accumulated compensated absences, which are expected to be availed or encashed within 12 months from the end of the year are treated as short term employee benefits. The obligation towards the same is measured at the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement as at the year end.

(4) Termination benefits:

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(xi) Borrowing Costs :

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Interest income or expense is recognised using the effective interest method.

(xii) Taxation:

Income tax expense for the year comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

(a) Current Tax:

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

(b) Deferred Tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- (1) temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- (2) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (3) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Income Tax Act, 1961 (specified period). Credit on account of MAT is recognized as an asset based on the management's estimate of its recoverability in the future.

(xiii) Impairment of non- financial assets :

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired. Indefinite life intangibles are subject to a review for impairment annually or more frequently if events or circumstances indicate that it is necessary. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. If any indication of impairment exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made. Asset/ cash generating unit whose carrying value exceeds their recoverable amount are written down to the recoverable amount by recognising the impairment.

(xiv) Earnings Per Share:

- Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period and for all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources.
- For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

(xv) 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.

(xvi) Rounding of amounts:

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

(xvii) Recent Accounting Pronouncements:

The Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There are no such notifications that are applicable for the Company from April 1, 2020.

RIECO INDUSTRIES LIMITED

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

(All amounts are in INR Lakhs, unless otherwise stated)

3 Property, plant and equipment

Reconciliation of carrying amount

	Freehold land	Buildings	Plant and Equipment	Vehicles	Furniture and fixtures	Office Equipments	Total
Gross carrying amount as at April 1, 2018	0.6	115.3	90.3	115.5	3.7	5.3	330.7
Additions	-	-	73.7	-	-	1.5	75.2
Disposals	-	-	22.6	4.4	-	-	27.0
Gross carrying amount as at March 31, 2019	0.6	115.3	141.4	111.1	3.7	6.8	378.9
Accumulated depreciation as at April 1, 2018	-	9.3	14.7	19.8	1.3	2.4	47.5
Depreciation for the year	-	4.7	44.1	12.0	0.6	0.5	61.9
Disposals	-	-	-	-	-	-	-
Accumulated depreciation as at March 31, 2019	-	14.0	58.8	31.8	1.9	2.9	109.4
Net carrying amount as at March 31, 2019	0.6	101.3	82.6	79.3	1.8	3.9	269.5

	Freehold land	Buildings	Plant and Equipment	Vehicles	Furniture and fixtures	Office Equipments	Total
Gross carrying amount as at April 1, 2019	0.6	115.3	141.4	111.1	3.7	6.8	378.9
Additions	-	-	60.3	-	9.6	2.6	72.5
Disposals	-	-	1.1	8.6	-	-	9.7
Transfers	-	-	-	-	-	-	-
Gross carrying amount as at March 31, 2020	0.6	115.3	200.7	102.5	13.3	9.4	441.8
Accumulated depreciation as at April 1, 2019	-	14.0	58.8	31.8	1.9	2.9	109.4
Depreciation for the year	-	4.9	45.8	13.2	0.4	0.9	65.2
Disposals	-	-	1.0	7.3	-	-	8.3
Accumulated depreciation as at March 31, 2020	-	18.9	103.6	37.7	2.3	3.8	166.3
Net carrying amount as at March 31, 2020	0.6	96.4	97.1	64.8	11.0	5.6	275.5

4 Right-of-use assets

	Buildings
Gross carrying amount as at April 1, 2019	
Transition impact of Ind AS 116	-
Additions	231.0
Deletions	-
Gross carrying amount as at March 31, 2020	231.0
Accumulated depreciation as at April 1, 2019	
Transition impact of Ind AS 116	-
Depreciation for the year	5.8
Deletions	-
Accumulated depreciation as at March 31, 2020	5.8
Net carrying amount as at March 31, 2020	225.2

RIECO INDUSTRIES LIMITED

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

(All amounts are in INR Lakhs, unless otherwise stated)

5 Intangible assets

Reconciliation of carrying amount

	Computer Software
Gross carrying amount as at April 1, 2018	71.2
Additions	-
Disposals	-
Gross carrying amount as at March 31, 2019	71.2
Accumulated amortisation as at April 1, 2018	26.9
Amortisation for the year	5.9
Disposals	-
Accumulated amortisation as at March 31, 2019	32.8
Net carrying amount as at March 31, 2019	38.4

	Computer Software
Gross carrying amount as at April 1, 2019	71.2
Additions	43.3
Disposals	-
Gross carrying amount as at March 31, 2019	114.5
Accumulated amortisation as at April 1, 2019	32.8
Amortisation for the year	12.6
Disposals	-
Accumulated amortisation as at March 31, 2020	45.4
Net carrying amount as at March 31, 2020	69.1

6 Other non current asset

	As at March 31, 2020	As at March 31, 2019
Capital advances	20.0	-
Total	20.0	-

7 Other non current financial asset

	As at March 31, 2020	As at March 31, 2019
Security Deposits	13.0	-
Total	13.0	-

8 Deferred Tax Assets (Net)

	As at March 31, 2020	As at March 31, 2019
The major components of the deferred tax liability are:		
- Property, plant and equipment	24.6	31.5
	24.6	31.5
The major components of deferred tax assets are:		
- Provision for expenses allowable on payment basis	17.4	25.8
- Unabsorbed depreciation	12.2	17.6
- Accumulated tax losses	87.8	432.0
- Allowance for expected credit loss	86.6	60.6
- Other	78.4	-
	282.4	536.0
Deferred tax assets (Net)	257.8	504.5

In assessing the realisability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realised. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible.

Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realise the benefits of those deductible differences. The amount of the deferred income tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

(a) Movement in deferred tax assets

	Provision for expenses allowable on payment basis and other provision	Unabsorbed depreciation	Allowance for expected credit loss	Accumulated tax losses	Total
As at April 1, 2018	76.7	-	332.5	-	409.2
(Charged) / credited:					
- to statement of profit and loss	(50.9)	17.6	(271.9)	432.0	126.8
- to other comprehensive income	-	-	-	-	-
As at March 31, 2019	25.8	17.6	60.6	432.0	536.0
(Charged) / credited:					
- to statement of profit and loss	70.0	(5.4)	26.0	(344.2)	(253.6)
- to other comprehensive income	(4.3)	-	-	-	-
As at March 31, 2020	95.8	12.2	86.6	87.8	282.4

(b) Movement in deferred tax liability

	Property, plant and equipment	Total
As at April 1, 2018	33.1	33.1
Charged / (credited):		
- to statement of profit and loss	(1.6)	(1.6)
As at March 31, 2019	31.5	31.5
Charged / (credited):		
- to statement of profit and loss	(6.9)	(6.9)
As at March 31, 2020	24.6	24.6

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
(All amounts are in INR Lakhs, unless otherwise stated)

9 Income Tax Assets / Liabilities

	As at March 31, 2020	As at March 31, 2019
(a) Non-current tax assets (net)		
Income tax assets	359.5	287.0
Income tax liabilities	200.0	200.0
Net income tax assets	159.5	87.0
(b) Current tax liability (Net)		
Income tax assets	206.8	206.8
Income tax liabilities	212.8	212.8
Net income tax assets	6.0	6.0
Net income tax asset / (liability) at the end	153.5	81.0

10 Inventories

	As at March 31, 2020	As at March 31, 2019
Raw Materials	98.0	303.9
Work in Progress	1,125.4	1,240.0
Finished Goods	598.4	374.1
Goods in transit	55.2	-
	653.6	374.1
Stores and Spares	61.4	43.3
	1,938.4	1,961.3

For details of inventory pledged as security refer note No. 19.

11 Trade Receivables

	As at March 31, 2020	As at March 31, 2019
(Unsecured considered good unless otherwise stated) (Refer Note No. 43 for details of related party balances)		
Considered good	1,975.8	3,280.0
Less: Allowance for expected credit loss (Refer note 39 for details)	177.0	199.3
	1,798.8	3,080.7
Trade Receivables which are credit impaired	167.0	92.0
Less: Allowance for expected credit loss (Refer note 39 for details)	167.0	92.0
	1,798.8	3,080.7

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
 (All amounts are in INR Lakhs, unless otherwise stated)

12 Cash And Cash Equivalents

	As at March 31, 2020	As at March 31, 2019
(a) Balances with banks In Current Accounts	0.1	1.7
(b) Cash on hand	-	0.1
	0.1	1.8

13 Other Current Financial Assets

	As at March 31, 2020	As at March 31, 2019
Security Deposits	4.4	6.1
Deposits with maturity less than one year (Fixed Deposits)	301.2	-
Export incentive receivable	40.7	44.7
	346.3	50.8

14 Other Current Assets

	As at March 31, 2020	As at March 31, 2019
Advances other than capital advances:		
Advance to suppliers	414.8	373.0
Less: Allowance for doubtful advances	34.4	-
	380.4	373.0
Contract Assets (Refer Note No. 45)	399.7	344.4
Balances with government authorities (includes indirect taxes receivable)	340.0	203.2
Prepaid expenses	8.3	4.8
Others	39.3	29.4
	1,167.7	954.8

RIECO INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts are in INR Lakhs, unless otherwise stated)

15 Equity Share Capital

	As at March 31, 2020	As at March 31, 2019
AUTHORISED : 1,70,00,000 Equity Shares of Rs.10 each	1,700.0	1,700.0
ISSUED, SUBSCRIBED AND PAID UP : 1,25,00,000 Equity Shares of Rs.10/- each fully paid up as at March 31, 2020 (1,25,00,000 Equity Shares of Rs.10/- each fully paid up as at March 31, 2019)	1,250.0	1,250.0

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year :

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	Number	Amount	Number	Amount
At the beginning of the year	12,500,000	1,250.0	12,500,000	1,250.0
Add: Issued during the year	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	12,500,000	1,250.0	12,500,000	1,250.0

(b) Terms/ Rights attached to equity shares:

The Company has only one class of equity shares having a par value of Rs. 10 per share (Previous Year : Rs.10 each). Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of Interim Dividend.

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

(c) Shares held by the holding company and details of shareholders holding more than 5% shares in the company:

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	Number	%	Number	%
Sudarshan Chemical Industries Limited	12,499,994	100.00%	12,499,994	100.00%

(d) For a period of five years immediately preceding 31st March, 2020 :

- aggregate number of shares allotted as fully paid up pursuant to contract without payment being received in cash - NIL
- aggregate number and class of shares allotted as fully paid up by way of bonus shares - NIL
- aggregate number of shares bought back - NIL

(e) Other disclosures mandated by Schedule III are not applicable to the Company and hence have not been made.

RIECO INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts are in INR Lakhs, unless otherwise stated)

16 Other Equity

	As at March 31, 2020	As at March 31, 2019
Capital redemption reserve	10.0	10.0
Surplus in the Statement of Profit and Loss	(303.1)	(1,115.4)
General reserve	215.5	215.5
Equity contribution from parent	89.3	89.3
Total reserves and surplus	11.7	(800.6)

(a) Movement in other equity

	As at March 31, 2020	As at March 31, 2019
Capital redemption reserve		
Balance as at the beginning of the year	10.0	10.0
Balance as at the end of the year	10.0	10.0
Surplus in the Statement of Profit and Loss		
Balance as at the beginning of the year	(1,115.4)	(182.3)
Add: Profit/ (Loss) for the year	799.5	(668.1)
<u>Add / (less) items of other comprehensive income recognised directly in equity:</u>		
Impact on account of change in Accounting Policy due to Transition to Ind AS 115	-	(144.5)
- remeasurements of post employment benefit obligation, net of tax	12.8	(120.5)
Balance as at the end of the year	(303.1)	(1,115.4)
General reserve		
Balance as at the beginning of the year	215.5	215.5
Balance as at the end of the year	215.5	215.5
Equity contribution from parent	89.3	89.3
Balance as at the end of the year	89.3	89.3

(b) Nature and purpose of each reserve within equity:**(i) Capital redemption reserve:**

This reserve has been created pursuant to redemption of Equity Share Capital and as mandated by the Companies Act, 2013.

(ii) Surplus in the Statement of Profit and Loss

This comprises the Company's undistributed earnings after taxes.

(iii) General reserve

General reserve is created from time to time by way of transfer of profits from retained earnings for appropriation purposes. It is created by a transfer from one component of equity to another and is not an item of other comprehensive income.

(iv) Equity contribution from parent company

Guarantee given by Sudarshan Chemical Industries Limited (parent company) for financial support.

RIECO INDUSTRIES LIMITED

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

(All amounts are in INR Lakhs, unless otherwise stated)

17 Non Current Financial Liabilities - Others

	As at March 31, 2020	As at March 31, 2019
Security deposits	-	28.6
Other liabilities	-	6.4
	-	35.0

18 Provisions : Non Current

	As at March 31, 2020	As at March 31, 2019
Provision for Employee Benefits		
Provision for compensated absences	45.8	39.6
Provision for Gratuity	10.5	26.6
	56.3	66.2

19 Borrowings

	As at March 31, 2020	As at March 31, 2019
Secured Loans Repayable On Demand :		
Secured Loans From Banks -		
Working capital loans (refer note (a) below)	932.2	2,307.7
Bills Discounted	-	21.1
Unsecured Loans -		
Inter corporate deposit from holding company (refer note b below)	-	300.0
	932.2	2,628.8

Note :-

a) Working capital loans (cash credit) from Bank of Maharashtra carries interest @base rate + .5% (presently 8.95% p.a.). The borrowings are secured by hypothecation of inventory and receivables and Corporate Guarantee from Sudarshan Chemical Industries Limited.

b) Inter corporate deposit from holding company were repayable on demand and carried an interest rate of 9.75% p.a. in previous year. The same was repaid during the year. The maximum amount outstanding during the year was Rs. 300 lakhs.

20 Trade Payable

	As at March 31, 2020	As at March 31, 2019
Due towards Micro and Small Enterprises (Refer Note No.36)	340.5	128.9
Other than Micro and Small Enterprises	1,555.1	1,886.2
	1,895.6	2,015.1

RIECO INDUSTRIES LIMITED

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

(All amounts are in INR Lakhs, unless otherwise stated)

21 Other Current Financial Liabilities

	As at March 31, 2020	As at March 31, 2019
Employee Dues	251.6	114.9
	251.6	114.9

22 Other Current Liabilities

	As at March 31, 2020	As at March 31, 2019
Statutory dues	35.9	61.0
Advance from customers	1,048.2	1,023.2
Deferred revenue	541.3	517.0
	1,625.4	1,601.2

23 Provisions : Current

	As at March 31, 2020	As at March 31, 2019
Provision For Employee Benefits :		
Provision for compensated absences	12.6	10.4
Provision for Gratuity	-	15.9
	12.6	26.3
Provision for warranties	-	5.9
	12.6	32.2

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
 (All amounts are in INR Lakhs, unless otherwise stated)

24 Revenue From Operations

	Year Ended March 31, 2020	Year Ended March 31, 2019
Sale of products	11,801.7	11,436.1
Sale of services	14.9	161.6
Other Operating Revenue		
Export Incentives	26.9	56.0
	11,843.5	11,653.7

25 Other Income

	Year Ended March 31, 2020	Year Ended March 31, 2019
Interest income from financial assets carried at amortised cost		
Others	2.9	1.5
Interest income		
- On Income Tax refund	-	14.9
- Others	-	2.5
Other Non-Operating Income		
Foreign exchange gain/ (loss) (net)	-	3.2
Miscellaneous income	116.6	136.3
	119.5	158.4

26 Cost Of Material Consumed

	Year Ended March 31, 2020	Year Ended March 31, 2019
Inventory of materials at the beginning of the year	303.9	475.7
Add: Purchases	6,318.4	7,066.8
	6,622.3	7,542.5
Less: Inventory of materials at the end of the year	98.0	303.9
	6,524.3	7,238.6

27 Purchase Of Stock In Trade

	Year Ended March 31, 2020	Year Ended March 31, 2019
Purchase of Stock in Trade	285.8	303.8
	285.8	303.8

28 Changes In Inventory Of Finished Goods, Work In Progress And Stock In Trade

	Year Ended March 31, 2020	Year Ended March 31, 2019
Inventory at the beginning of the year		
Finished products	374.1	501.9
Work in Progress	1,240.0	1,792.5
	1,614.1	2,294.4
Inventory at the end of the year		
Finished products	653.6	374.1
Work in Progress	1,125.4	1,240.0
	1,779.0	1,614.1
	(164.9)	680.3

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
(All amounts are in INR Lakhs, unless otherwise stated)

29 Employee Benefits Expenses

	Year Ended March 31, 2020	Year Ended March 31, 2019
Salary, wages and bonus	1,301.3	1,014.8
Contribution to provident and other funds	61.4	81.7
Staff welfare expenses	28.9	39.0
	1,391.6	1,135.5

30 Finance Costs

	Year Ended March 31, 2020	Year Ended March 31, 2019
Interest expenses on financial liabilities measured at amortised cost	136.1	174.3
Other borrowing costs (Includes charges for guarantees and loan processing)	54.9	70.2
	191.0	244.5

31 Depreciation And Amortisation Expenses

	Year Ended March 31, 2020	Year Ended March 31, 2019
Depreciation on property, plant and equipment	65.2	61.8
Depreciation of right of use assets	5.8	-
Amortisation of intangible assets	12.6	5.9
	83.6	67.7

32 Other Expenses

	Year Ended March 31, 2020	Year Ended March 31, 2019
Consumption of stores and spares	172.2	156.1
Power and fuel	32.1	34.6
Repairs and maintenance	60.5	52.9
Insurance	22.1	21.3
Rates and taxes (excluding taxes on income)	53.9	11.1
Advertisement	18.3	12.2
Foreign exchange gain/ (loss) (net)	43.3	-
Bad debts written off	229.6	55.8
Other balances written off	46.0	84.2
Allowance for expected credit loss	96.0	200.4
Bank charges	74.2	80.3
Royalty	2.6	2.8
Travelling and conveyance expenses	321.4	450.9
Commission to selling agents	70.7	14.5
Freight and octroi charges	162.9	295.0
Legal and professional expenses (Refer Note 37)	415.7	342.7
Labour charges	392.5	435.1
Printing, stationery and communication expenses	26.7	37.5
Rent	25.0	54.1
Hire Charges	214.4	492.6
Loss on sale/ discard of assets	0.9	23.5
Miscellaneous expenses	128.9	80.5
	2,609.9	2,938.1

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
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33 Leases

On application of Ind AS 116, the nature of expenses have changed from lease rent in previous periods to depreciation cost for the right-to-use asset, and finance cost for interest accrued on lease liability.

The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2020 on an undiscounted basis:

Particulars	Not less than 1 year	Later than 1 year and less than 5 years	More than 5 years
Minimum lease payments	30.5	145.0	246.4

The total cash outflow for leases is Rs. 32.3 Lakhs for the year ended March 31, 2020, including cash outflow for short term and low value leases.

34 Commitments and Contingencies:

Particulars	As at March 31, 2020	As at March 31, 2019
Sales Tax / Value Added Tax:		
Claims against the Company where the Company has preferred appeals	28.54	22.89

Capital commitment: The estimated amount of contracts remaining to be executed on capital account, and not provided for is Rs. 20 Lakhs as at 31st March, 2020 (Nil as at 31st March, 2019).

35 Earnings Per Share

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profits attributable to equity shareholders	795.1	(668.1)
Basic Earnings Per Share		
Weighted average number of equity shares outstanding during the year	12,500,000	12,500,000
Basic EPS (Rs.)	6.4	(5.3)
Diluted Earnings Per Share		
Weighted average number of equity shares outstanding for diluted EPS	12,500,000.0	12,500,000.0
Diluted EPS (Rs.)	6.4	(5.3)

36 Disclosures pertaining to Micro and Small Enterprises (as per information available with the Company):

Particulars	As at March 31, 2020	As at March 31, 2019
Principal amount due	340.5	128.9
Interest paid to the supplier	-	-
Payment made to the supplier beyond the appointed day during the year	-	-
Interest due	26.9	21.0
Interest accrued and due	26.9	21.0
Interest due and payable till actual payment	26.9	21.0

37 Auditors' Remuneration

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
As auditors:		
- Statutory audit	3.0	3.0
- Out of Pocket Expenses	0.5	0.7
	3.5	3.7

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
(All amounts in INR Lakhs, unless otherwise stated)

38 Post-employment benefit plans

A. Defined Contribution Plans

Contribution to Defined Contribution Plans, recognized as expense for the year is as under:

Particulars	Year ended March 31, 2020 INR	Year ended March 31, 2019 INR
Employer's Contribution to Provident Fund	58.7	47.5
Employer's Contribution to Superannuation Fund	-	26.8

The Company's contribution paid/payable during the year to provident fund and labour welfare fund are recognized in the Statement of Profit and Loss. The Company makes contribution to a defined contribution scheme administered by Life Insurance Corporation of India, which are charged to the Statement of Profit and Loss. The Company has no obligation to the scheme beyond its annual contributions.

From the current year, the Company has discontinued their contributions to Superannuation Fund, which was applicable to specific employees since these employees have separated.

B. Defined Benefit Plans

I. Gratuity

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss, the funded status and amounts recognized in balance sheet for the plan.

Net employee benefit expense on account of gratuity recognized in employee benefits expenses

Particulars	Year ended March 31, 2020 INR	Year ended March 31, 2019 INR
Current service cost	14.7	13.8
Past service cost	-	-
Net interest (income) / expense	2.4	(1.3)
Net benefit expense	17.1	12.5

Changes in the present value of the defined benefit obligation are as follows :

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
Opening defined benefit obligation	160.1	189.6
Interest cost	10.7	14.5
Current service cost	14.8	13.8
Benefits paid	(44.3)	(174.9)
Re-measurement (gain)/ loss in other comprehensive income		
Experience (gain)/ loss on plan liabilities	(6.8)	115.8
Demographic (gain)/ loss on plan liabilities	0.0	(2.1)
Financial (gain)/ loss on plan liabilities	(10.1)	3.5
Closing defined benefit obligation	124.4	160.2

Changes in the fair value of plan assets are as follows:

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
Opening fair value of plan assets	117.6	205.4
Adjustment to opening fair value		
Interest Income	8.2	15.7
Contributions by employer	32.1	74.3
Mortality Charges and Taxes		
Benefits paid	(44.3)	(174.9)
Re-measurement gain / (loss) in other comprehensive income		
Experience gain / (loss) on plan assets	0.1	(3.4)
Financial gain / (loss) on plan assets		-
Closing fair value of plan assets	113.7	117.1

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
(All amounts in INR Lakhs, unless otherwise stated)

Amount recognized in the statement of other comprehensive income

Particulars	Year ended March 31, 2020 INR	Year ended March 31, 2019 INR
Experience (gain) / loss on plan liabilities	(6.8)	115.8
Demographic (gain) / loss on plan liabilities	0.0	(2.1)
Financial (gain) / loss on plan liabilities	(10.1)	3.5
Experience (gain) / loss on plan assets	(0.1)	3.4
Total Actuarial (gain)/loss included in Other Comprehensive Income	(17.0)	120.5

Net Defined Benefit Liability/(Asset) for the period

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
Defined Benefit Obligation	124.4	159.7
Fair value of plan assets	113.7	117.1
Closing net defined benefit liability/(asset)	10.7	42.6

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Nature of plan assets	March 31, 2020	March 31, 2019
Investments with insurer	100%	100%

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

Demographic Assumptions

Mortality: Mortality has been assumed to be Indian Assured Lives Mortality (2012-14) ultimate (IALM ult).

Disability: No explicit allowance has been made for disabilities.

Financial assumptions

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
	%	%
Discount rate	6.00%	7.00%
Employee turnover	22.00%	22.00%
Expected rate of increment in compensation levels	6.00%	10.00%

A quantitative sensitivity analysis for significant assumption as at March 31, 2020 is as shown below:

Assumptions	Defined benefit obligation			
	As at 31 March 2020		As at 31 March 2019	
	Increase by 50 basis points	Decrease by 50 basis points	Increase by 50 basis points	Decrease by 50 basis points
Discount Rate	(2.3)	2.0	3.3	(2.2)
Expected rate of increment in compensation levels	1.7	(2.0)	(1.9)	3.0

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation and aids in understanding the uncertainty of reported amounts. Sensitivity analysis is done by varying one parameter at a time and studying its impact.

The following is the maturity profile of defined benefit obligation:

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
Within the next 12 months (next annual reporting period)	26.6	31.6
Between 2 and 5 years	79.9	110.2
Beyond 5 years	33.9	44.3

Weighted average duration of the plan (based on discounted cash flows using mortality, withdrawal and interest rate) is 14.3 years (31 March 2019: 14.3 years).

The following payments are expected contributions to the defined benefit plan in future years:

Particulars	As at 31 March 2020 INR	As at 31 March 2019 INR
Within the next 12 months (next annual reporting period)	26.6	15.9
Total expected payments	26.6	15.9

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020
(All amounts in INR Lakhs, unless otherwise stated)

39 Financial risk management

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is responsible for developing and monitoring the Company's risk management policies. The board regularly meets to decide its risk management activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board is also assisted by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Board of directors.

The Company has exposure to the following risks arising from financial instruments:

- credit risk - see note (a) below
- liquidity risk - see note (b) below
- market risk - see note (c) below

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of IND AS 109, the Company uses expected credit loss model to assess impairment loss or gain. The company uses a matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors and company's historical experience for customers.

The movement in the allowance for expected credit loss for trade receivables is as follows:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Balance as at the beginning	291.3	1,023.0
Amounts written off	43.3	932.1
Amounts written back	-	-
Allowance Created	96.0	200.4
Closing balance	344.0	291.3

Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with banks and financial institutions with high credit ratings assigned by domestic credit rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's treasury department is responsible for liquidity and funding. In addition policies and procedures relating to such risks are overseen by the management.

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations.

As at March 31, 2020 and March 31, 2019, the Company had a working capital of Rs. 517.4 lakhs and Rs. (348.7) lakhs respectively. The working capital of the Company for this purpose has been derived as follows:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Total current assets (A)	5,263.7	6,049.6
Total current liabilities (B)	4,746.4	6,398.3
Working capital (A-B)	517.4	(348.7)

Following is the Company's exposure to financial liabilities based on the contractual maturity as at reporting date.

	As at March 31, 2020					
	Contractual cash flows					
	Carrying value	Less than 1 year	1-2 years	2-4 years	> 4 years	Total
Borrowings	932.2	932.2	-	-	-	932.2
Lease liabilities	230.2	23.1	25.8	48.6	132.7	230.2
Trade payables	1,895.6	1,895.6	-	-	-	1,895.6
Other liabilities	251.5	251.5	-	-	-	251.5

	As at March 31, 2019					
	Contractual cash flows					
	Carrying value	Less than 1 year	1-2 years	2-4 years	> 4 years	Total
Borrowings	2,628.9	2,628.9	-	-	-	2,628.9
Trade payables	2,015.1	2,015.1	-	-	-	2,015.1
Other liabilities	114.9	114.9	-	-	-	114.9

RIECO INDUSTRIES LIMITED

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

(All amounts in INR Lakhs, unless otherwise stated)

(c) **Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates, will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's main interest rate risk arises from short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

Sensitivity analysis

As an estimation of the approximate impact of the interest rate risk, with respect to financial instruments, a 25 bps change in interest rates has been considered. A 25 bps increase in interest rates would have led to approximately an additional Rs. 4 Lakhs (2018-19: Rs. 6.8 Lakhs) finance cost in statement of profit and loss. A 25 bps decrease in interest rates would have led to an approximately equal but opposite effect.

Other risks

The fair value of these assets is marked to an active market which factors the uncertainties arising out of the COVID-19 pandemic. The Company has assessed the counterparty credit risk in connection with Cash and cash equivalents, bank deposits where the Company has assessed the counterparty credit risk. Trade receivables is valued at considering provision for allowance under the expected credit loss method. In addition to the historical pattern of credit loss, the Company has considered the likelihood of increased credit risk considering emerging situations due to the COVID-19 pandemic. This assessment is based on the likelihood of the recoveries from the customers in the present situation. The Company closely monitors its customers who are going through financial stress and assesses actions such as change in payment terms, recognition of revenue on collection basis etc., depending on severity of each case. The same assessment is done in respect of contract assets while arriving at the level of provision that is required. Basis this assessment, the allowance for doubtful trade receivables is considered adequate.

40 Capital management

The Company's capital comprises equity share capital, surplus in the statement of profit and loss and other equity attributable to equity holders.

The Company's objectives when managing capital are to :

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital using debt-equity ratio, which is net debt divided by total equity. These ratios are illustrated below:

Particulars	As at	As at
	March 31, 2020	March 31, 2019
Total debt	932.2	2,628.9
Less: cash and cash equivalents	0.1	1.8
Net debt	932.1	2,627.1
Total equity	1,261.5	449.5
Debt-equity ratio	0.7	5.8

41 Fair value measurements

(a) **Categories of financial instruments -**

Particulars	As at March 31, 2020			As at March 31, 2019		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
Financial assets						
Trade receivables	-	-	1,798.7	-	-	3,080.7
Cash and cash equivalents	-	-	0.1	-	-	1.8
Other financial assets	-	-	359.3	-	-	50.8
Total financial assets	-	-	2,158.1	-	-	3,133.3
Financial liabilities						
Borrowings	-	-	932.2	-	-	2,628.8
Lease liabilities	-	-	230.2	-	-	-
Trade payables	-	-	1,895.6	-	-	2,015.1
Other financial liabilities	-	-	251.5	-	-	114.9
Total financial liabilities	-	-	3,309.5	-	-	4,758.8

(b) **Fair value hierarchy:**

As per Ind AS 107 "Financial Instrument: Disclosure", fair value disclosures are not required when the carrying amounts reasonably approximate the fair value. As illustrated above, all financial instruments of the company are valued at amortized cost which approximates the fair value.

(c) **Valuation technique used to determine fair value**

Borrowings -Discounted cash flow: The valuation model considers the present value of expected payment, discounted using risk adjusted discount rate

RIECO INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts in INR Lakhs, unless otherwise stated)

42 Income tax expense

This note provides an analysis of Company's income tax expense, shows amounts that are recognized 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 Company's tax positions

(a) Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Income tax expense		
Current Tax		
Current tax on profits for the year	-	-
Total current tax expense	-	-
Deferred tax		
Decrease / (increase) in deferred tax assets	253.6	(126.8)
(Decrease) / increase in deferred tax liabilities	(6.9)	(1.6)
Total deferred tax expense / (benefit)	246.7	(128.4)
Income tax expense	246.7	(128.4)

(b) Reconciliation of tax expense and the accounting profit multiplied by statutory tax rate in India:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit before taxes	1,041.8	(796.4)
Enacted income tax rate in India	25.2	27.8
Computed expected tax expense	262.2	(221.57)
Others	(15.5)	93.2
Actual tax expense	246.7	(128.40)

(c) Changes in tax rate

The Government of India on 20 September 2019, vide Taxation Laws (Amendment) Ordinance 2019, inserted a new section 115BAA in Income Tax Act 1961, which provides the option to the Company to pay Income Taxes at reduced tax rates as per the provisions/conditions defined in the said section. The Company has opted for lower tax rates.

Accordingly, the applicable Indian statutory tax rate for the financial year 2019-20 is 22% (31 March 2019 : 25%).

RIECO INDUSTRIES LIMITED

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

(All amounts in INR Lakhs, unless otherwise stated)

43 Related Party Disclosures

(a) List of Related Parties and description of relationship:

Holding Company:

Sudarshan Chemicals Industries Limited

Key Management Personnel :

Mr. Dara Damania (Chairman)
 Mr. A B Rathi (Managing Director, Resigned w.e.f 1st May 2019)
 Mr. P R Rathi (Director)
 Mr. N J Rathi (Director)
 Mr. R B Rathi (Director)
 Mr. S Padmanabhan (Director)

Mr. V R Bhatia (Managing Director, w.e.f. 3rd May 2019)
 Mr. D V Pol (CFO, Resigned w.e.f 31st July 2019)
 Mr. Mandar Velankar (Company Secretary)
 Mr. Baidyanath Mishra (CFO w.e.f 29th Jan 2020)

(b) Related party transactions:

Sr. no	Nature of Transaction	For the year ended March 31, 2020			For the year ended March 31, 2019		
		Key Management Personnel	Holding Company	Other related parties	Key Management Personnel	Holding Company	Other related parties
1	Remuneration to Managing Director (w.e.f 3rd May 2019)	82.9		-	228.4	-	-
2	Remuneration to Managing Director (Till 1st May 2019)	7.0					
2	Remuneration to other KMP	9.2					
3	Sitting Fees paid to Directors	4.2					
5	Sale of Goods	-	135.3	-	-	22.4	-
6	Use of table space (rent paid)	-	4.0	-	-	14.7	-
7	Use of table space (rent received)	-	0.7	-	-	-	-
8	Corporate Guarantee Charges	-	30.8	-	-	28.3	-
9	Interest on ICD	-	12.3	-	-	30.1	-
10	Intercompany Deposit accepted	-	-	-	-	1,000.0	-
11	Intercompany Deposit repaid	-	300.0	-	-	1,000.0	-
12	Reimbursement of expenses	-	16.5	-	-	63.0	-
13	Car rent income		5.4			-	

(c) Balance outstanding at year end :

Sr. no	Particulars	As at March 31, 2020	As at March 31, 2019
1	Key Managerial Personnel		
	- remuneration payable	29.9	4.5
2	Holding Company		
	- Receivable for sale of goods	38.2	43.5
	- Rent Income receivable	5.4	
	- Reimbursement of expenses payable	-	15.3
	- Payable for purchase of goods	-	-
	- Financial guarantee charges payable	1.4	3.1
	- Rent payable against use of Office space	4.0	
	- Interest on ICD payable	-	2.2
	- Intercompany Deposit payable	-	300.0

RIECO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020

(All amounts in INR Lakhs, unless otherwise stated)

44 Operating Segments :

A. Basis for segmentation

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segments and assess their performance.

The Company has three reportable segments as described below, which are the Company's strategic business units:

- (i) Air Pollution controls equipment ("APC")
- (ii) Size reduction equipment ("SRE")
- (iii) Pneumatic handling systems ("PHS")

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate. For each of the business units, the Company's Chief Operating Decision Maker reviews internal management reports on a monthly basis.

B. Information about reportable segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (before tax), as included in the internal management reports that are reviewed by the Company's Chief Operating Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Year ended 31 st March, 2020				Year ended 31 st March, 2019			
	APC	SRE	PHS	Total	APC	SRE	PHS	Total
	(1)	(2)	(3)	(1 + 2 + 3 + 4)	(1)	(2)	(3)	(1 + 2 + 3 + 4)
Segment Revenue								
External Revenue	5,381.1	3,913.4	2,549.0	11,843.5	4,706.6	3,988.9	2,958.2	11,653.7
Revenues domestic	4,835.2	3,801.5	2,372.9	11,009.5	3,674.8	3,883.0	2,917.5	10,475.3
Revenues export	546.0	111.9	176.1	834.0	1,031.8	105.9	40.6	1,178.4
Inter-segment Revenue	-	-	-	-	-	-	-	-
Total segment revenue	5,381.1	3,913.4	2,549.0	11,843.5	4,706.6	3,988.9	2,958.1	11,653.7
Segment Results								
Profit before tax and finance cost from segment	835.6	250.1	147.1	1,232.8	(724.9)	539.2	(366.2)	(551.9)
Less: Finance costs (net)				191.0				244.5
Profit from ordinary activities after finance cost but before tax				1,041.8				(796.4)
Tax expense				246.7				(128.3)
Profit from continuing operations after tax				795.1				(668.1)
Segment Assets	3,422.0	1,727.3	864.2	6,013.5	2,444.3	2,087.7	1,912.7	6,444.7
Segment Liabilities	2,449.9	1,141.7	485.9	4,077.5	1,767.9	1,124.3	978.5	3,870.7
Net Assets	972.1	585.6	378.3	1,936.0	676.4	963.3	934.2	2,574.0
Capital Expenditure during the year	59.3	47.7	28.8	135.8	35.4	23.7	16.1	75.2
Depreciation and amortization (excluding amortization of ROU)	23.4	35.1	19.5	78.0	31.3	22.6	13.8	67.7

RIECO INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts in INR Lakhs, unless otherwise stated)

C. Reconciliations of information on reportable segments to Ind AS measures

	Year ended March 31, 2020	Year ended March 31, 2019
i. Assets		
Total assets for reportable segments	6,013.5	6,444.5
Deferred Tax Asset	257.8	504.4
Total Assets	6,271.3	6,948.9
ii. Liabilities		
Total liabilities for reportable segments	4,077.5	3,870.5
Equity	1,261.5	449.4
Borrowings	932.3	2,628.9
Total Liabilities	6,271.3	6,948.9

D. Geographical information

	Year ended 31st March, 2020	Year ended 31st March, 2019
i. Segment Revenue by location of customers		
In India	11,009.5	10,475.4
Outside India	834.0	1,178.3
	11,843.5	11,653.7
ii. Non-current operating assets by location of assets		
There no non-current assets located outside India.		

E. During the financial year 2019-20, the revenue from one single customer pertaining to APC segment was Rs. 1,540 lakhs (31 March 2019- a single customer from PHS segment, revenue Rs. 1,571 lakhs) which represents 10% or more of Company's total revenue.

RIECO INDUSTRIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2020**

(All amounts in INR Lakhs, unless otherwise stated)

45 Disclosure pursuant to Ind AS 115**(a) Revenue streams**

The Company earns revenue primarily from manufacture and sale of pollution control equipment, size reduction equipment and pneumatic conveying systems. The equipment are customized based on specific customer requirements. (Refer note 44)

(b) By location

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Domestic	11,009.5	10,475.3
Exports	834.0	1,178.4
	11,843.5	11,653.7

The Company has evaluated the impact of the COVID-19 pandemic, amongst other matters, resulting from (i) the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts, (ii) termination or deferment of contracts by customers and (iii) customer disputes. The Company has concluded that the impact of the COVID-19 pandemic is not material based on these estimates.

(c) Contract Balances

Contract assets and contract liabilities are included within "Other current assets" and "Other current liabilities" respectively. Majority of the contracts entered into by the Company consist of performance obligations satisfied over a period of time. Contract assets and liabilities arise from these contracts on account of the difference between revenue recognized on the contract and the invoicing to the customers based on agreed supply and billing schedule.

There was no impairment of any contract asset during the period.

Changes in the contract assets are as follows :-

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Balance as at the beginning of the year	344.4	774.0
Transition impact on account of adoption of Ind AS 115	-	385.9
Revenue recognized during the year	10,004.6	10,393.4
Invoices raised during the year	(9,949.3)	(11,208.9)
Balance as at the end of the year	399.7	344.4

Changes in the contract liabilities/deferred revenue are as follows :-

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Balance as at the beginning of the year	517.0	183.0
Transition impact on account of adoption of Ind AS 115	-	315.2
Revenue recognized that was included in the deferred revenue at the beginning of the year	(506.1)	(130.9)
Increase due to invoicing during the year, excluding amounts recognized as revenue during the year	530.4	149.7
Balance as at the end of the year	541.3	517.0

- (e) The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations as on 31st March 2020 is Rs. 3,751.5 lakhs (31st March 2019: Rs. 5,786.4 lakhs) and is expected to be recognized as revenue in the next year.

RIECO INDUSTRIES LIMITED

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

(All amounts in INR Lakhs, unless otherwise stated)

- 46 The disclosures regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.

As per our report of even date.

For B S R & Associates LLP

Chartered Accountants

Firm Regn. No.: 116231 W/W-100024

ADWAIT MORWEKAR

Partner

Membership No.: 110223

Mumbai : 29 May 2020

For and on behalf of the Board of Directors

VIKAS. R. BHATIA

Director

01056616

S. PADMANABHAN

Director

00001207

BAIDYANATH M. MISHRA

Acting CFO

Pune : 29 May 2020

MANDAR. M. VELANKAR

Company Secretary

Pune : 29 May 2020