

INDEPENDENT AUDITORS' REPORT

To

The Members of HINDWARE HOME RETAIL PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **HINDWARE HOME RETAIL PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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



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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, its losses and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure-1** a statement on the matters specified in the paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to **Annexure-2**.
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note - 32 to the financial statements;



N.C. AGGARWAL & CO.
CHARTERED ACCOUNTANTS

- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any; on long-term contracts including derivatives contracts; and
- iii. There is no amount payable towards investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.

For N.C. Aggarwal & Co.
Chartered Accountants
Firm Registration No. 003273N



G. K. Aggarwal
Partner
Membership No. 086622



Date: May 20, 2016
Place: Gurgaon

ANNEXURE-1 TO INDEPENDENT AUDITORS' REPORT

(Annexure referred to in our report of even date to the members of **HINDWARE HOME RETAIL PRIVATE LIMITED** on the accounts for the year ended March 31, 2016)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Management in accordance with a phased programme of verification adopted by the Company has physically verified a major portion of the fixed assets. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets. To the best of our knowledge, no material discrepancies have been noticed on such verification.

(c) The Company does not have any immovable property. Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable to the Company and hence not commented upon.
2. As explained to us, the management during the year has physically verified inventories. However, stocks in the possession and custody of third parties and stock in transit as at March 31, 2016 have been verified by the Management with reference to confirmation or statement of account or correspondence of the third parties or subsequent receipt of goods. In our opinion, the frequency of verification is reasonable and no material discrepancies between physical inventories and book records were noticed on physical verification.
3. According to the information and the explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act 2013. Accordingly, the provisions of clause 3(iii) (a) (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
4. The Company has not granted any loans or given any guarantee and security covered under Section 185 and 186 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iv) of the Order are not applicable to the Company and hence not commented upon.
5. According to the information given to us, the Company has not accepted any deposits under the provisions of section 73 to 76 of the Companies Act, 2013 or any other relevant provisions of the companies Act and the Companies (Acceptance of Deposits) Rules, 2014 as amended from time to time. No order has been passed with respect to Section 73 to 76, by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other tribunal.
6. To the best of our knowledge and belief, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products and services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable to the Company.



7. (a) According to the information and explanations given to us, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, value added tax, cess and other statutory dues with the appropriate authorities. There are no arrears as at March 31, 2016 for a period of more than six months from the date they become payable.

(b) According to the information and explanations given to us, there are no dues in respect of income tax, Sales tax, duty of customs, duty of excise or value added tax which have not been deposited with the appropriate authorities on account of any dispute. The due in respect of service tax that have not been deposited with the appropriate authorities on account of dispute and the forum where the dispute is pending is given below:

| Name of Dues and Name of the Statute | Year to which the amount relates | Forum where matter is pending | Amount Rs. | Amount paid under protest Rs. |
|--|----------------------------------|------------------------------------|------------|-------------------------------|
| Service Tax The Finance Act, 1994 and Service Tax Rules | FY 2010-11 and FY 2011-12 | The Hon'ble Supreme Court of India | 77,77,417 | 40,19,541 |

8. In our opinion, on the basis of books and records examined by us and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have any dues to financial institutions, government or debenture holders.
9. The Company has not raised any money by way of initial public offer or further public offer or debt instruments. In our opinion, and according to the information and explanation given to us, the term loans have been applied for the purposes for which they were raised.
10. According to the information and explanations given to us and as represented by the Management and based on our examination of the books and records of the Company and in accordance with generally accepted auditing practices in India, we have been informed that no case of frauds has been committed on or by the Company or by its officers or employees during the year.
11. The Company has paid remuneration to director as per the provisions of Section 197 read with Schedule V of the Companies Act, 2013.
12. The Company is not a Nidhi Company. Accordingly, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
13. The Company has complied with the provisions of Section 177 and 188 of the Companies Act, 2013 w.r.t. transactions with the related parties, where applicable. Details of the transactions with the related parties have been disclosed in the financial statements as required by the applicable accounting standards.



14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, provisions of clause 3 (xiv) of the Order are not applicable to the Company.
15. The Company has not entered into any non-cash transactions with the directors or persons connected with him as covered under Section 192 of the Companies Act, 2013. Accordingly, provisions of clause 3 (xv) of the Order are not applicable to the Company.
16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, provisions of clause 3 (xiv) of the Order are not applicable to the Company.

For N.C. Aggarwal & Co.
Chartered Accountants
Firm Registration No. 003273N



G. K. Aggarwal
Partner
Membership No. 086622
Date: May 20, 2016
Place: Gurgaon



ANNEXURE-2 TO INDEPENDENT AUDITORS' REPORT

Annexure referred to in our report of even date to the members of HINDWARE HOME RETAIL PRIVATE LIMITED on the accounts for the year ended March 31, 2016

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

We have audited the internal financial controls over financial reporting of **HINDWARE HOME RETAIL PRIVATE LIMITED** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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



Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company and the components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For N.C. Aggarwal & Co.
Chartered Accountants
Firm Registration No. 003273N



G. K. Aggarwal
Partner
Membership No. 086622
Date: May 20, 2016
Place: Gurgaon



Hindware Home Retail Private Limited
Balance Sheet as at 31 March 2016

| | | | (Amount in Rs.) |
|--|-------|--------------------|--------------------|
| | | As at | As at |
| | Notes | 31 March 2016 | 31 March 2015 |
| Equity and liabilities | | | |
| Shareholders' fund | | | |
| Share capital | 3 | 1,219,000,000 | 949,000,000 |
| Reserves and surplus | 4 | (1,019,124,649) | (814,363,424) |
| | | <u>199,875,351</u> | <u>134,636,576</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | - | 14,384,841 |
| Long-term provisions | 6 | 5,941,790 | 5,592,248 |
| | | <u>5,941,790</u> | <u>19,977,089</u> |
| Current liabilities | | | |
| Short-term borrowings | 7 | 226,271,897 | 277,486,950 |
| Trade payables | | | |
| Total outstanding dues of micro enterprises and small enterprises | 8 | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 8 | 121,556,199 | 143,878,272 |
| Other current liabilities | 9 | 94,996,487 | 131,132,884 |
| Short-term provisions | 10 | 221,625 | 203,595 |
| | | <u>443,046,208</u> | <u>552,701,701</u> |
| Total | | <u>648,863,349</u> | <u>707,315,366</u> |
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 184,616,659 | 241,045,405 |
| Intangible assets | 11 | 2,227,634 | 5,381,671 |
| | | <u>186,844,293</u> | <u>246,427,076</u> |
| Long-term loans and advances | 12 | 41,213,352 | 41,964,528 |
| Other non current assets | 13 | 2,158,572 | 1,135,670 |
| | | <u>230,216,217</u> | <u>289,527,274</u> |
| Current assets | | | |
| Inventories | 14 | 353,757,494 | 355,177,107 |
| Trade receivables | 15 | 23,913,384 | 27,272,409 |
| Cash and bank balances | 16 | 6,538,900 | 11,067,142 |
| Short-term loans and advances | 17 | 34,396,651 | 24,090,193 |
| Other current assets | 18 | 40,703 | 181,240 |
| | | <u>418,647,132</u> | <u>417,788,092</u> |
| Total | | <u>648,863,349</u> | <u>707,315,366</u> |

Notes 1 to 40 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

For N. C. Aggarwal & Co.
Chartered Accountants
Firm's Registration No. 003273N

G. K. Aggarwal
Partner
Membership No: 086622

Place : Gurgaon
Date : May 20, 2016



For and on behalf of the Board of Directors

Sumita Somany
Sumita Somany
(Whole time Director)
DIN-00133612

R.B. Kabra
R.B. Kabra
(Director)
DIN-00021886

Komal Sinha
Komal Sinha
(Company Secretary)

V. K. Ajmera
V. K. Ajmera
(Chief Financial Officer)

[Handwritten signature]

Hindware Home Retail Private Limited

Statement of Profit and Loss for the year ended 31 March 2016

| | | | (Amount in Rs.) |
|---|-------|-----------------------------|-----------------------------|
| | Notes | Year ended 31 March 2016 | Year ended 31 March 2015 |
| Income | | | |
| Revenue from operations | 19 | 976,424,671 | 1,038,277,100 |
| Other income | 20 | 746,519 | 412,777 |
| Total revenue (I) | | 977,171,190 | 1,038,689,877 |
| Expenses: | | | |
| Purchases of traded goods | 21 | 566,185,567 | 595,709,640 |
| Change in stock of work in progress and stock in trade | 22 | 1,419,613 | (4,700,601) |
| Employee benefit expenses | 23 | 147,160,397 | 154,940,018 |
| Other expenses | 24 | 377,461,472 | 370,445,778 |
| Total expenses (II) | | 1,092,227,049 | 1,116,394,835 |
| (Loss) before depreciation, amortisation, finance costs and tax (I) - (II) | | (115,055,859) | (77,704,958) |
| Depreciation and amortization | 25 | 52,415,993 | 56,879,802 |
| Finance costs | 26 | 37,289,373 | 39,762,176 |
| (Loss) before tax | | (204,761,225) | (174,346,936) |
| Tax expense | | | |
| -Current tax | | - | - |
| -Deferred tax | | - | - |
| (Loss) after tax | | (204,761,225) | (174,346,936) |
| Earnings per equity share for face value of Rs. 10/- each | 36 | | |
| -(Basic and Diluted) | | (6.40) | (6.04) |

Notes 1 to 40 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For N. C. Aggarwal & Co.
Chartered Accountants
Firm's Registration No. 003273N

G. K. Aggarwal
Partner
Membership No: 086622



Place : Gurgaon
Date : May 20, 2016

Sumita Somany
Sumita Somany
(Whole time Director)
DIN-00133612

Komal Sinha
Komal Sinha
(Company Secretary)

R.B. Kabra
R.B. Kabra
(Director)
DIN-00021886

V. K. Ajmera
V. K. Ajmera
(Chief Financial Officer)

Hindware Home Retail Private Limited
Cash Flow Statement for the year ended 31 March 2016

| Particulars | Year ended 31 March 2016 | (Amount in Rs.) Year ended 31 March 2015 |
|---|-----------------------------|--|
| A. Cash flow from operating activities | | |
| Net loss for the year | (204,761,225) | (174,346,936) |
| Adjustments for: | | |
| Depreciation and amortisation expense | 52,415,993 | 56,879,802 |
| Profit on disposal of fixed assets | (401,475) | (209,245) |
| Loss on disposal of fixed assets | 9,468,679 | 912,084 |
| Interest income | (345,044) | (203,532) |
| Sundry balances and liabilities no longer required written back | (8,811,598) | (12,837,876) |
| Unrealised foreign exchange loss/(gain) | - | 10,429 |
| Bad debts | - | 3,401 |
| Provision for doubtful debts | 6,291,342 | - |
| Interest on borrowings | 36,986,973 | 39,221,790 |
| Operating cash loss before working capital changes | (109,156,355) | (90,570,083) |
| Adjustments for: | | |
| Increase in trade and other payables | (25,494,719) | 75,943,436 |
| (Increase)/decrease in trade and other receivables | (12,487,598) | 31,551,121 |
| (Increase) in inventories | 1,419,613 | (4,700,602) |
| Net cash used in operating activities | (145,719,059) | 12,223,872 |
| B. Cash flow from investing activities | | |
| Purchase of fixed assets including capital work in progress | (3,172,059) | (82,344,919) |
| Proceeds from sale of fixed assets | 1,050,967 | 1,961,222 |
| Bank balance not considered as cash and cash equivalents | (1,022,902) | 1,435,942 |
| Interest received | 218,645 | 77,510 |
| Net cash used in investing activities | (2,925,349) | (78,870,245) |
| C. Cash flow from financing activities | | |
| Proceeds from issue of equity share capital | - | 100,000,000 |
| Proceeds from issue of preference share capital | 270,000,000 | - |
| Proceed/(repayment) of short-term borrowings (Net) | (51,215,053) | 50,528,382 |
| Proceeds from long-term borrowing | - | 876,540 |
| Repayment of long-term borrowing | (37,500,000) | (51,659,017) |
| Interest paid | (37,435,716) | (38,513,456) |
| Net cash flow from financing activities | 143,849,231 | 61,232,449 |
| Net increase in cash and cash equivalents | (4,795,177) | (5,413,924) |
| Cash and cash equivalents in the beginning of the year | 9,580,642 | 14,994,566 |
| Cash and cash equivalents at the end of the year | 4,785,465 | 9,580,642 |
| Note: | | |
| Cash and cash equivalent include: | | |
| Cash on hand and remittance in transit (refer note 16) | 3,870,438 | 7,636,935 |
| Balances with banks (refer note 16) | 915,026 | 1,943,707 |
| Cash and cash equivalents | 4,785,464 | 9,580,642 |
| Other bank balances | - | - |
| Fixed deposits with maturity more than 3 months but less than 12 months | 1,753,436 | 1,486,500 |
| Cash and bank balances (refer note 16) | 6,538,900 | 11,067,142 |

Notes 1 to 40 form an integral part of these financial statements

This is the cash flow statement referred to in our report of even date.

For N. C. Aggarwal & Co.
Chartered Accountants
Firm's Registration No. 003273N

G. K. Aggarwal
Partner
Membership No: 086622

Place : Gurgaon
Date : May 20, 2016



For and on behalf of the Board of Directors
Sumita Somany
(Whole time Director)
DIN-00133612

Komal Sinha
(Company Secretary)

R.B. Kabra
(Director)
DIN-00021886

V. K. Ajmera
(Chief Financial Officer)

Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

- 1 Hindware Home Retail Private Limited (the 'Company') was incorporated on 24 November 2005 as a wholly owned subsidiary of HSIL Limited (the 'Holding Company'). The Company is primarily engaged in retail trade of furniture and home decor through a chain of retail outlets.

2 Significant accounting policies

i Basis of preparation

The financial statements have been prepared to comply with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act 2013 (the 'Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company.

ii Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

iii Fixed assets

Tangible assets

Tangible assets are stated at cost of acquisition less accumulated depreciation. Cost comprises the purchase price and any attributable cost incurred for bringing the assets to their working condition for their intended use.

Capital expenditure incurred on rented retail stores is recorded as leasehold improvements under fixed assets to the extent such expenditure is of permanent nature. Expenditure in assets which are of removable nature are recorded in the respective category of assets.

Intangible assets

Intangible assets are recognised if and only if it is probable that the future economic benefits that are attributable to the assets will flow to the Company. Software which is not an integral part of the related hardware, is classified as an intangible asset.



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

iv Depreciation and amortisation

a) Depreciation on fixed assets has been provided as per guidance set out in Schedule II of the Act on straight line method using the undermentioned indicative lives.

| Block of assets | Useful life as per the Act (in years) |
|------------------------|--|
| Furniture and fixture | 10 |
| Office equipment | 3 – 6 |

b) Vehicles are being depreciated using written down value method over a period of 8 years as stipulated in Schedule II of the Act.

c) Leasehold improvements are being depreciated over the lease period.

d) Softwares which are being amortised over estimated useful life i.e. 3 years.

v Inventories

Traded goods including material in transit are valued at lower of cost and net realisable value. Cost includes cost of purchase, freight and other related incidental expenses incurred in bringing the inventory to its present condition and location and is arrived at on weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to affect the sale.

vi Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods have been transferred to the customer and when no significant uncertainty exists regarding the amount of consideration that will be derived. Sales are stated exclusive of sales tax, trade discounts and sales return, wherever applicable.

Revenue from services

Revenue from services is recognised as and when services are rendered.

Interest income

Interest income is recognised on a time proportion basis for the amount outstanding and at the applicable rates.

vii Foreign currency transactions

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Differences arising therefrom are recognised in the statement of profit and loss.

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

A



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

viii Employee benefits

Salaries, bonuses and paid leave are accrued in the year in which the associated services are rendered by employees of the Company.

i) Provident fund

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into funds established under Employees Provident Fund and Miscellaneous Provision Act, 1952. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature.

ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as expense or income in the statement of profit and loss in the year in which such gains or losses arise.

iii) Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as expense or income in the statement of profit and loss in the year in which such gains or losses arise.

iv) Other short term benefits

Expense in respect of other short-term benefits is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

ix Taxation

Provision for tax for the year comprises current income tax and deferred tax.

Current tax is determined higher of the amount of tax payable calculated at the tax rates applicable to the relevant assessment year on the assessable income of the respective year or tax payable on book profits computed in accordance with the provisions of section 115JB of the Income-tax Act, 1961.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset to the extent it pertains to unabsorbed business loss/depreciation is recognised only to the extent that there is virtual certainty of realisation based on convincing evidence, as evaluated on a case to case basis.

x Operating leases

Lease of assets, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

xi Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xii Provision and contingencies

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made.

A disclosure is made for a contingent liability when there is a:

- possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Company; or
- present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- present obligation, where a reliable estimate cannot be made.

Where there is a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

xiii Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

xiv Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits with an original maturity of three months or less.

xv Measurement of EBIDTA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956 (now Schedule III to the Companies Act 2013), the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.





(Amount in Rs.)

3 Share Capital

Authorised :

50,000,000 (previous year 50,000,000) equity shares of Rs. 10 each

9,000,000 (previous year 7,500,000) 0% non cumulative redeemable preference shares of Rs. 100 each

Issued

32,000,000 (previous year 32,000,000) equity shares of Rs. 10 each

8,990,000 (previous year 6,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each

Subscribed and paid up

32,000,000 (previous year 32,000,000) equity shares of Rs. 10 each fully paid up

8,990,000 (previous year 6,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each fully paid up

As at
31 March 2016As at
31 March 2015

500,000,000

500,000,000

900,000,000

750,000,000

1,400,000,000

1,250,000,000

320,000,000

320,000,000

899,000,000

629,000,000

1,219,000,000

949,000,000

320,000,000

320,000,000

899,000,000

629,000,000

1,219,000,000

949,000,000

(a) Reconciliation of share outstanding at the beginning and at the end of reporting year

i) Equity shares

| Particulars | 31 March 2016 | | 31 March 2015 | |
|---|------------------|-----------------|------------------|-----------------|
| | Number of Shares | (Amount in Rs.) | Number of Shares | (Amount in Rs.) |
| Shares outstanding at the beginning of the year | 32,000,000 | 320,000,000 | 22,000,000 | 220,000,000 |
| Add: Shares issued during the year | - | - | 10,000,000 | 100,000,000 |
| Shares outstanding at the end of the year | 32,000,000 | 320,000,000 | 32,000,000 | 320,000,000 |

(ii) Preference shares

| Particulars | 31 March 2016 | | 31 March 2015 | |
|---|------------------|-----------------|------------------|-----------------|
| | Number of Shares | (Amount in Rs.) | Number of Shares | (Amount in Rs.) |
| Shares outstanding at the beginning of the year | 6,290,000 | 629,000,000 | 6,290,000 | 629,000,000 |
| Add: Shares issued during the year | 2,700,000 | 270,000,000 | - | - |
| Shares outstanding at the end of the year | 8,990,000 | 899,000,000 | 6,290,000 | 629,000,000 |

(b) Shares held by the holding Company*

| Particulars | 31 March 2016 | | 31 March 2015 | |
|---|------------------|-----------------|------------------|-----------------|
| | Number of Shares | (Amount in Rs.) | Number of Shares | (Amount in Rs.) |
| Equity shares of Rs. 10 each | | | | |
| HSIL Limited (including nominees) | 32,000,000 | 320,000,000 | 32,000,000 | 320,000,000 |
| 0% Non cumulative redeemable preference shares of Rs 100 each | | | | |
| HSIL Limited | 8,990,000 | 899,000,000 | 6,290,000 | 629,000,000 |

* The above information is furnished as per the shareholder's register as at the year end.

(c) Details of shareholders holding more than 5% of the share capital of the Company at the beginning and at the end of the reporting year

| Particulars | 31 March 2016 | | 31 March 2015 | |
|---|------------------|-------------|------------------|-------------|
| | Number of Shares | % of Shares | Number of Shares | % of Shares |
| Equity shares of Rs. 10 each | | | | |
| HSIL Limited (including nominees) | 32,000,000 | 100 | 32,000,000 | 100 |
| 0% Non cumulative redeemable preference shares of Rs 100 each | | | | |
| HSIL Limited | 8,990,000 | 100 | 6,290,000 | 100 |

(d) Terms and rights attached to shares

i) Equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Shareholder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.



ii) 0% Non cumulative redeemable preference shares

The rights and restrictions attached to the redeemable preference shares differ from those attached to equity shares as follows:

- (a) The redeemable preference shares will have preference to receive dividend. The holders of 0% non cumulative redeemable preference shares have no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.
 - (b) On the distribution of the assets of the Company, on winding up or other return of the capital (subject to certain exceptions), the holders of redeemable preference share have priority over the holders of equity shares to receive the capital paid up on those shares.
 - (c) 2,000,000 Preference shares issued dated 31st March 2012 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 31st March 2027.
 - (d) 2,290,000 Preference shares issued dated 30th March 2013 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 30th March 2028.
 - (e) 2,000,000 Preference shares issued dated 28th March 2014 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 28th March 2029.
 - (f) 800,000 Preference shares issued dated 30th June 2015 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 30th June 2035.
 - (g) 1,200,000 Preference shares issued dated 17th December 2015 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 17th December 2035.
 - (h) 700,000 Preference shares issued dated 23rd March 2016 are redeemable at par at any time after giving subscriber a notice of redemption, on or before 23rd March 2036.
- (e) No shares have been issued pursuant to contract without payment being received in cash, allotted as fully paid-up shares by way of bonus issues nor has any bought back of shares happened during the period of five years immediately preceding the reporting date.



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

| | As at 31 March 2016 | (Amount in Rs.) As at 31 March 2015 |
|--|------------------------|---|
| 4 Reserves and Surplus | | |
| a Securities premium account | | |
| Balance at the beginning/end of the year | 210,000,000 | 210,000,000 |
| | <u>210,000,000</u> | <u>210,000,000</u> |
| b Surplus/(deficit) as per statement of profit and loss | | |
| Balance as at the beginning of the year | (1,024,363,424) | (847,868,732) |
| Add: Depreciation adjustment * | - | (2,147,756) |
| Add: Net (loss) as per statement of profit and loss for the year | (204,761,225) | (174,346,936) |
| Balance as at the end of the year | <u>(1,229,124,649)</u> | <u>(1,024,363,424)</u> |
| | <u>(1,019,124,649)</u> | <u>(814,363,424)</u> |

* Based on the transitional provision provided in Schedule II of the Act, an amount of Rs. Nil (Previous year Rs. 2,147,756) has been adjusted with the opening reserves

5 Long-term borrowings

Secured

Term loans from banks

| | | |
|---|------------|-------------------|
| Rupee loan | 14,384,841 | 51,884,841 |
| Less: Current maturities of long-term borrowings (refer note 9) | 14,384,841 | 37,500,000 |
| | <u>-</u> | <u>14,384,841</u> |

Notes:-

Repayment terms and security for borrowings (including current maturities) as on 31 March 2016:

Term loan amounting to Rs. 150,000,000 from Central Bank of India carries an interest rate of base rate *plus* 3.5% per annum. The loan is repayable in 16 quarterly installments of Rs. 9,375,000 each starting from second quarter of 2013-14. The closing balance of the said loan is Rs. 14,384,841 (previous year Rs. 51,884,841).

The aforementioned term loans are secured by way of -

- 1st charge on block assets of the Company (present and future) viz Hypothecation of the fixed assets of the Company.
- Corporate guarantee given by HSIL Limited, the Holding Company.

6 Long-term provisions

| | | |
|-----------------------------------|------------------|------------------|
| Provision for employee benefits * | | |
| Compensated absences | 2,518,380 | 2,492,689 |
| Gratuity | 3,423,410 | 3,099,559 |
| | <u>5,941,790</u> | <u>5,592,248</u> |

* Refer note 35



Hindware Home Retail Private Limited**Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016**

| | As at 31 March 2016 | (Amount in Rs.) As at 31 March 2015 |
|--|------------------------|---|
| 8 Trade payables | | |
| Total outstanding dues of micro enterprises and small enterprises (refer note 27) | - | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 121,556,199 | 143,878,272 |
| | <u>121,556,199</u> | <u>143,878,272</u> |
| 9 Other current liabilities | | |
| Current maturities of long-term borrowings (refer note 5) | 14,384,841 | 37,500,000 |
| Interest accrued and not due on borrowings | 259,590 | 708,334 |
| Advance from customers | 15,314,279 | 24,899,854 |
| Statutory liabilities | 10,185,658 | 11,604,635 |
| Employee related payables | 14,282,688 | 13,891,295 |
| Creditor for expenses | 36,951,791 | 38,675,056 |
| Creditor for capital goods | 784,456 | 1,005,135 |
| Security deposits | 2,400,000 | 2,200,000 |
| Other liabilities | 433,184 | 648,575 |
| | <u>94,996,487</u> | <u>131,132,884</u> |
| 10 Short term provision | | |
| Provision for employee benefits * | | |
| Compensated absences | 137,543 | 140,701 |
| Gratuity | 84,082 | 62,894 |
| | <u>221,625</u> | <u>203,595</u> |

** Refer note 34*

Hindware Home Retail Private Limited**Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016**

| | As at 31 March 2016 | (Amount in Rs.) As at 31 March 2015 |
|--------------------------------------|------------------------|---|
| 7 Short term borrowings | | |
| Loans repayable on demand | | |
| Secured-from banks | 181,251,008 | 216,884,482 |
| Unsecured-from banks | 20,889 | 60,602,468 |
| Loan from the holding company | | |
| Unsecured | 45,000,000 | - |
| | <u>226,271,897</u> | <u>277,486,950</u> |

Repayment terms and security for borrowings as on 31 March 2016:**Loans repayables on demand (Secured - from banks)**

- i Cash credit facility amounting to Rs. 12,310,785 (previous year Rs. 16,797,482) from Central Bank of India carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. This facility is secured by hypothecation against stocks, goods in transit, receivables and all other current assets (both present and future) and also having corporate guarantee from HSIL Limited, the Holding Company.
- ii Cash credit facility amounting to Rs. 82,540,223 (previous year Rs. 100,087,000) from Standard Chartered Bank carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. This facility is secured by hypothecation against stocks, goods in transit, receivables and all other current assets (both present and future) and also having corporate guarantee from HSIL Limited, the Holding Company.
- iii Cash credit facility amounting to Rs. 86,400,000 (previous year Rs. 100,000,000) from IndusInd Bank Ltd carries an interest rate of base rate *plus* 1% per annum and is repayable on demand. This facility is secured by hypothecation against stocks, goods in transit, receivables and all other current assets (both present and future) and also having corporate guarantee from HSIL Limited, the Holding Company.

Loans repayables on demand (Unsecured - from bank)

- i Cash credit facility amounting to Rs. 20,889 (previous year Rs. 60,602,468) from Deutsche Bank carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. The facility is secured against corporate guarantee from HSIL Limited, the Holding Company.



11 Fixed assets

| For the year ended 31 March 2016 | | | | | | | | | | |
|----------------------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------------|-------------|---------------------------|---------------------------------|---------------------|---------------------|
| Particulars | As at 01 April 2015 | Gross block | | | Depreciation/amortisation | | | Net block | | |
| | | Additions during the year | Sales/deletion during the year | As at 31 March 2016 | As at 01 April 2015 | Adjustments | Depreciation for the year | Sales/deletions during the year | As at 31 March 2016 | As at 31 March 2015 |
| Tangible assets | | | | | | | | | | |
| Vehicles | 3,236,920 | - | - | 3,236,920 | 1,807,267 | - | 449,780 | - | 2,257,047 | 1,429,653 |
| Air conditioning unit | 18,516,238 | - | - | 18,516,238 | 8,731,771 | - | 4,989,582 | - | 13,721,353 | 9,784,467 |
| Office equipments | 19,477,209 | 448,162 | - | 19,925,371 | 10,612,764 | - | 5,210,443 | - | 15,823,207 | 8,864,445 |
| Computers | 22,298,493 | 298,349 | - | 22,597,442 | 19,639,479 | - | 1,117,227 | - | 20,756,706 | 2,659,014 |
| Furniture and fittings | 223,611,248 | 336,326 | 14,204,396 | 209,743,778 | 94,151,540 | - | 24,072,527 | 5,829,150 | 112,394,917 | 129,459,708 |
| Leasehold improvements | 136,182,417 | 1,678,409 | 2,889,549 | 134,971,277 | 48,176,642 | - | 13,109,793 | 1,146,625 | 60,139,810 | 88,005,775 |
| Tools | 1,244,929 | 188,934 | - | 1,433,863 | 402,586 | - | 312,604 | - | 715,190 | 842,343 |
| Intangible assets | | | | | | | | | | |
| Computer software | 23,234,824 | - | - | 23,234,824 | 17,853,153 | - | 3,154,037 | - | 21,007,190 | 5,381,671 |
| Total | 447,802,278 | 2,951,380 | 17,093,945 | 433,659,713 | 201,375,202 | - | 52,415,993 | 6,975,775 | 246,815,420 | 246,427,076 |

For the year ended 31 March 2015

| Particulars | As at 01 April 2014 | Gross block | | | Depreciation/amortisation | | | Net block | | |
|--------------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------------|------------------|---------------------------|---------------------------------|---------------------|---------------------|
| | | Additions during the year | Sales/deletion during the year | As at 31 March 2015 | Up to 31 March 2014 | Adjustments * | Depreciation for the year | Sales/Deletions during the year | Up to 31 March 2015 | As at 31 March 2015 |
| Tangible assets | | | | | | | | | | |
| Vehicles | 3,236,920 | - | - | 3,236,920 | 1,194,558 | - | 612,709 | - | 1,807,267 | 1,429,653 |
| Air conditioning unit | 17,430,774 | 1,085,464 | - | 18,516,238 | 2,085,682 | 1,459,311 | 5,186,778 | - | 8,731,771 | 9,784,467 |
| Office equipments | 18,125,838 | 2,267,121 | 915,750 | 19,477,209 | 2,743,504 | 688,445 | 7,476,247 | 295,432 | 10,612,764 | 8,864,445 |
| Computers | 19,971,282 | 2,440,926 | 113,715 | 22,298,493 | 17,689,692 | - | 2,661,530 | 111,743 | 19,639,479 | 2,659,014 |
| Furniture & fittings | 220,535,607 | 6,387,161 | 3,311,520 | 223,611,248 | 70,913,091 | - | 24,509,232 | 1,269,783 | 94,151,540 | 149,622,516 |
| Leasehold improvements | 125,319,499 | 10,862,918 | - | 136,182,417 | 34,973,521 | - | 13,203,121 | - | 48,176,642 | 88,005,775 |
| Tools | 637,573 | 607,356 | - | 1,244,929 | 98,670 | - | 303,916 | - | 402,586 | 842,343 |
| Intangible assets | | | | | | | | | | |
| Computer software | 19,801,399 | 3,433,425 | - | 23,234,824 | 14,325,884 | - | 3,527,269 | - | 17,853,153 | 5,381,671 |
| TOTAL | 425,058,892 | 27,084,371 | 4,340,985 | 447,802,278 | 144,024,602 | 2,147,756 | 56,879,802 | 1,676,958 | 201,375,202 | 246,427,076 |

* Based on the transitional provision provided in Schedule II of the Act, an amount of Rs. Nil (Previous year Rs. 2,147,756) has been adjusted with the opening reserves



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

| | | (Amount in Rs.) |
|---|------------------------|------------------------|
| | As at 31 March 2016 | As at 31 March 2015 |
| 12 Long term loans and advances | | |
| (Unsecured, considered good) | | |
| Security deposits | 39,047,205 | 40,035,653 |
| Advance tax/tax deducted at source | 2,166,147 | 1,928,875 |
| | <u>41,213,352</u> | <u>41,964,528</u> |
| 13 Other non current assets | | |
| (Unsecured, considered good) | | |
| Margin money with banks | 2,123,572 | 1,100,670 |
| Fixed deposits with banks with original maturity of more than twelve months* | 35,000 | 35,000 |
| | <u>2,158,572</u> | <u>1,135,670</u> |
| <i>* pledged with various authorities</i> | | |
| 14 Inventories | | |
| (At lower of cost and net realisable value) | | |
| Stock in trade | 344,397,534 | 352,315,132 |
| Goods-in-transit | 9,359,960 | 2,861,975 |
| | <u>353,757,494</u> | <u>355,177,107</u> |
| 15 Trade receivables | | |
| (Unsecured, considered good unless otherwise stated) | | |
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Good | 10,504,983 | 14,499,125 |
| Doubtful | 6,291,342 | - |
| Less: Provision for doubtful trade receivables | (6,291,342) | - |
| | <u>10,504,983</u> | <u>14,499,125</u> |
| Other debts | 13,408,401 | 12,773,284 |
| | <u>13,408,401</u> | <u>12,773,284</u> |
| | <u>23,913,384</u> | <u>27,272,409</u> |



Hindware Home Retail Private Limited**Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016**

| | (Amount in Rs.) | |
|--|-------------------|-------------------|
| | As at | As at |
| 16 Cash and bank balances | 31 March 2016 | 31 March 2015 |
| Cash and cash equivalents | | |
| Balance with banks | | |
| - on current accounts | 915,026 | 1,943,707 |
| Cash on hand | 1,934,994 | 5,070,597 |
| Remittance in transit | 1,935,444 | 2,566,338 |
| | <u>4,785,464</u> | <u>9,580,642</u> |
| Other bank balances | | |
| Fixed deposits with maturity of three months or more* | 1,753,436 | 1,486,500 |
| | <u>6,538,900</u> | <u>11,067,142</u> |
| * Pledged with bank as margin for bank guarantee and government authorities. | | |
| 17 Short term loans and advances | | |
| (Unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 6,335,061 | 4,361,727 |
| Advances to suppliers | 6,192,604 | 5,143,065 |
| Balances with government authorities | 21,868,986 | 14,585,401 |
| | <u>34,396,651</u> | <u>24,090,193</u> |
| 18 Other current assets | | |
| Interest accrued but not due on deposits | 40,703 | 181,240 |
| | <u>40,703</u> | <u>181,240</u> |



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year

| | Year ended 31 March 2016 | (Amount in Rs.) Year ended 31 March 2015 |
|---|-----------------------------|--|
| 19 Revenue from operations | | |
| A. Sales of products | | |
| Departmental sales (refer note 35) | 944,882,941 | 973,151,564 |
| Sub total (A) | <u>944,882,941</u> | <u>973,151,564</u> |
| B. Sale of services | | |
| Service charges | 49,875 | 22,589 |
| Designing charges | 257,797 | 316,837 |
| Installation charges | 12,988,817 | 47,795,615 |
| Sub total (B) | <u>13,296,489</u> | <u>48,135,041</u> |
| C. Other operating income | | |
| Sundry balances and liabilities no longer required written back (net) | 8,811,598 | 12,837,876 |
| Foreign exchange fluctuation (net) | 437,427 | 248,010 |
| Insurance claims | 433,101 | 269,407 |
| Scrap and other sales | - | 1,604,077 |
| Miscellaneous receipts | 8,563,115 | 2,031,125 |
| Sub total (C) | <u>18,245,241</u> | <u>16,990,495</u> |
| Grand total (A+B+C) | <u>976,424,671</u> | <u>1,038,277,100</u> |
| 20 Other income | | |
| Interest income | 345,044 | 203,532 |
| Profit on disposal of fixed assets | 401,475 | 209,245 |
| | <u>746,519</u> | <u>412,777</u> |
| 21 Purchases of traded goods | | |
| Traded goods (refer note 35) | 566,185,567 | 595,709,640 |
| | <u>566,185,567</u> | <u>595,709,640</u> |




Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016

| | (Amount in Rs.) | |
|---|-------------------------------------|-------------------------------------|
| | Year ended 31 March 2016 | Year ended 31 March 2015 |
| 22 Change in stock of stock in trade | | |
| Opening stock | | |
| Stock in trade | 355,177,107 | 350,476,506 |
| | 355,177,107 | 350,476,506 |
| Less: Closing stock | | |
| Stock in trade | 353,757,494 | 355,177,107 |
| | 353,757,494 | 355,177,107 |
| Change in stocks | 1,419,613 | (4,700,601) |
| 23 Employee benefit expenses | | |
| Salaries, wages and bonus | 139,497,647 | 146,983,299 |
| Contribution to provident and other funds | 3,897,350 | 4,242,146 |
| Staff welfare expense | 3,765,400 | 3,714,573 |
| | 147,160,397 | 154,940,018 |
| 24 Other expenses | | |
| Electricity charges | 13,430,740 | 14,879,036 |
| Installation expenses | 14,540,932 | 44,742,436 |
| Rent and maintenance | 152,507,449 | 150,345,821 |
| Advertisement and publicity | 51,477,952 | 45,076,943 |
| Loading/unloading expenses | 10,359,326 | 9,791,085 |
| Packing material consumed | 4,676,628 | 4,931,068 |
| Bank charges | 25,596,193 | 24,411,183 |
| Freight outward | 20,987,913 | 18,905,726 |
| Travelling and conveyance | 15,238,602 | 17,324,805 |
| Rates and taxes | 12,833,498 | 13,323,965 |
| Legal and professional expenses | 4,742,266 | 5,828,983 |
| Communication expenses | 5,643,109 | 5,946,729 |
| Repairs to other assets | 5,129,940 | 4,152,070 |
| Insurance | 1,155,021 | 1,365,467 |
| Bad debts | - | 3,401 |
| Provision for doubtful debts | 6,291,342 | - |
| Loss on sale of assets | 9,468,679 | 912,084 |
| Miscellaneous expenses | 23,381,882 | 8,504,976 |
| | 377,461,472 | 370,445,778 |
| 25 Depreciation and amortisation expense | | |
| Depreciation on tangible assets | 49,261,956 | 53,352,533 |
| Amortisation of intangible assets | 3,154,037 | 3,527,269 |
| | 52,415,993 | 56,879,802 |
| 26 Finance costs | | |
| Interest on borrowings | 36,986,973 | 39,221,790 |
| Other borrowing cost | 302,400 | 540,386 |
| | 37,289,373 | 39,762,176 |



Hindware Home Retail Private Limited**Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2016**

27 There are no micro and small enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

28 The Company is a lessee under various operating leases for premises taken on operating lease. Aggregate rental expenses under operating leases amounted to Rs. 132,987,983 (previous year Rs. 130,814,328) (excluding maintenance charges of Rs. 19,519,466 (previous year Rs. 19,531,493)) for the year, has been charged to the statement of profit and loss.

29 Deferred tax assets

In accordance with the notified Accounting Standard 22, "Accounting of Taxes on Income", deferred tax assets on carried forward losses, unabsorbed depreciation and other timing differences have not been accounted in the books, since it is not virtually certain whether in future there will be sufficient taxable income against which such deferred tax assets can be utilised.

30 Value of imports calculated on CIF basis

| | (Amount in Rs.) | |
|----------------------------|--------------------|--------------------|
| Particulars | 31 March 2016 | 31 March 2015 |
| Stock in trade | 134,289,982 | 111,216,150 |
| Components and spare parts | - | 35,847 |
| | <u>134,289,982</u> | <u>111,251,997</u> |

31 Expenditure in foreign currency (on accrual basis)

| | (Amount in Rs.) | |
|---------------------------|------------------|------------------|
| Particulars | 31 March 2016 | 31 March 2015 |
| Travelling and conveyance | 2,739,084 | 2,046,285 |
| Professional charges | 389,691 | 1,145,315 |
| Others | 2,486,523 | 2,171,432 |
| | <u>5,615,298</u> | <u>5,363,032</u> |

32 Contingent liabilities not provided for:

| | (Amount in Rs.) | |
|--|------------------|-------------------|
| Particulars | 31 March 2016 | 31 March 2015 |
| Bank guarantees given to various parties | 521,000 | 9,419,874 |
| Service tax liability on lease rent* | 7,777,417 | 7,777,417 |
| | <u>8,298,417</u> | <u>17,197,291</u> |

* Against which Rs. 4,019,541 has been deposited under protest with Service tax department against Supreme Court order.

33 Payment to auditors

| | (Amount in Rs.) | |
|-----------------|-----------------|----------------|
| Particulars | 31 March 2016 | 31 March 2015 |
| As auditor | 270,000 | 270,000 |
| Statutory audit | 75,000 | 75,000 |
| Tax audit | <u>345,000</u> | <u>345,000</u> |

34 Employee benefits

During the year the Company has recognised the following amounts in the statement of profit and loss:

a) Provident fund and other funds*:

| | (Amount in Rs.) | |
|---|-----------------|---------------|
| Particulars | 31 March 2016 | 31 March 2015 |
| Employer's contribution to provident fund | 3,169,832 | 3,407,223 |
| Employer's contribution to employee's state insurance | 476,404 | 505,493 |
| * Included in "contribution to provident and other funds" (refer note 23) | | |



b) Defined benefits plan

| | As at 31 March 2016 | | As at 31 March 2015 | |
|---|---------------------|----------------------|---------------------|-----------------------------|
| | Gratuity | Compensated absences | Gratuity | Compensated absences |
| (Amount in Rs.) | | | | |
| Amount recognised in balance sheet: | | | | |
| Present value of obligation as at the end of the period | 3,507,492 | 2,655,923 | 3,162,453 | 2,633,390 |
| Funded status/difference | (3,507,492) | (2,655,923) | (3,162,453) | (2,633,390) |
| Net asset/(liability) recognized in balance sheet | (3,507,492) | (2,655,923) | (3,162,453) | (2,633,390) |
| Amount recognised in statement of profit and loss: | | | | |
| Current service cost | 796,484 | 710,503 | 815,168 | 789,632 |
| Interest cost | 252,996 | 210,671 | 212,737 | 179,644 |
| Net actuarial (gain)/loss recognised in the year | (320,227) | 240,348 | (290,122) | 489,285 |
| Total included in personnel cost * | 729,253 | 1,161,522 | 737,783 | 1,458,561 |
| * Included in "salaries, wages and bonus" (refer note 23) | | | | |
| Change in defined benefit obligation (DBO) during the year | | | | |
| Present value of DBO at the beginning of the year | 3,162,453 | 2,633,390 | 2,502,784 | 2,113,460 |
| Current service cost | 796,484 | 710,503 | 815,168 | 789,632 |
| Interest cost | 252,996 | 210,671 | 212,737 | 179,644 |
| Benefits paid | (384,214) | (1,138,989) | (78,114) | (938,631) |
| Actuarial (gain)/loss | (320,227) | 240,348 | (290,122) | 489,285 |
| Present value of DBO at the end of the year | 3,507,492 | 2,655,923 | 3,162,453 | 2,633,390 |
| (Amount in Rs.) | | | | |
| | As at 31 March 2016 | | As at 31 March 2015 | |
| | Gratuity | Leave encashment | Gratuity | Leave encashment (unfunded) |
| Amount to be recognised in balance sheet | | | | |
| Present value of defined benefit obligation | | | | |
| Current | 84,082 | 137,543 | 62,894 | 140,701 |
| Non-current | 3,423,410 | 2,518,380 | 3,099,559 | 2,492,689 |
| | 3,507,492 | 2,655,923 | 3,162,453 | 2,633,390 |
| Actuarial assumptions | | | | |
| Discount rate | 8.0% | 8.0% | 8.0% | 8.0% |
| Expected rate of increase in compensation levels | 5.5% | 5.5% | 5.5% | 5.5% |
| Mortality Table | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) | IALM (2006-08) |

Amounts for the current period are as follows:

| | As at 31 March 2016 | | As at 31 March 2015 | |
|-----------------------------|---------------------|----------------------|---------------------|----------------------|
| | Gratuity | Compensated absences | Gratuity | Compensated absences |
| Defined benefit plan | | | | |
| Defined benefit obligation | 3,507,492 | 2,655,923 | 3,162,453 | 2,633,390 |
| (Deficit) | 3,507,492 | 2,655,923 | 3,162,453 | 2,633,390 |

| Amounts for the current and previous years are as follows | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 |
|---|------------------|------------------|------------------|------------------|------------------|
| Defined benefit plan - Gratuity | | | | | |
| Defined benefit obligation | 3,507,492 | 3,162,453 | 2,502,784 | 2,433,864 | 2,094,281 |
| Deficit | 3,507,492 | 3,162,453 | 2,502,784 | 2,433,864 | 2,094,281 |

Experience adjustments on actuarial gain/(loss) for DBO and plan assets

| | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 |
|----------------|---------|---------|---------|---------|---------|
| On Plan DBO | 320,227 | 284,934 | 339,482 | 58,417 | 36,093 |
| On Plan Assets | - | - | - | - | - |



35 Details in respect of traded goods dealt with by the Company:*

| Particulars | (Amount in Rs.) | |
|----------------------|--------------------|--------------------|
| | 31 March 2016 | 31 March 2015 |
| Opening stock | | |
| Furniture | 207,718,949 | 204,791,183 |
| Home furnishings | 25,175,506 | 27,165,459 |
| Home decor | 51,569,357 | 45,869,898 |
| Kitchen | 56,362,993 | 53,704,304 |
| Bath | 11,897,097 | 15,730,401 |
| Others | 2,453,205 | 3,215,261 |
| | 355,177,107 | 350,476,506 |
| Purchases | | |
| Furniture | 417,019,196 | 434,273,094 |
| Home furnishings | 10,360,337 | 17,179,653 |
| Home decor | 44,352,412 | 55,917,077 |
| Kitchen | 53,173,967 | 75,703,922 |
| Bath | - | 428,533 |
| Others | 41,279,655 | 12,207,361 |
| | 566,185,567 | 595,709,640 |
| Sales | | |
| Furniture | 768,010,564 | 750,577,083 |
| Home furnishings | 18,524,294 | 23,589,829 |
| Home decor | 63,675,415 | 73,982,895 |
| Kitchen | 83,017,940 | 107,123,401 |
| Bath | 829,673 | 6,114,606 |
| Others | 10,825,055 | 11,763,750 |
| | 944,882,941 | 973,151,564 |
| Closing stock | | |
| Furniture | 213,615,356 | 207,718,949 |
| Home furnishings | 20,060,982 | 25,175,506 |
| Home decor | 52,725,367 | 51,569,357 |
| Kitchen | 54,330,366 | 56,362,993 |
| Bath | 10,659,895 | 11,897,097 |
| Others | 2,365,529 | 2,453,205 |
| | 353,757,494 | 355,177,107 |

36 Earnings per share

| Particulars | 31 March 2016 | 31 March 2015 |
|---|---------------|---------------|
| (Loss) attributable to equity shareholders (Rs.) | (204,761,225) | (174,346,936) |
| Weighted average number of shares outstanding during the year | 32,000,000 | 28,876,712 |
| Nominal value per share (Rs.) | 10 | 10 |
| Basic and diluted (loss) per share - (Rs.) | (6.40) | (6.04) |

37 The foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below as on each balance sheet date

| Particulars | Currency | 31 March 2016 | | 31 March 2015 | |
|-----------------------|----------|----------------------------|-------------------------|----------------------------|-------------------------|
| | | Amount in foreign currency | Amount in Indian Rupees | Amount in foreign currency | Amount in Indian Rupees |
| Receivables | | | | | |
| Advances to suppliers | USD | 3,376 | 216,737 | 11,345 | 710,093 |



- 38 i) The Company operates in two primary business segment, as identified by the management i.e. retail and other than retail

| | | (Amount in Rs.) | | |
|-------------------------------------|---------------|-----------------|-------------------|---------------|
| Particular | | Retail | Other than retail | Total |
| Segment revenue | | | | |
| External sales(net) | | | | |
| | Current year | 933,532,088 | 42,892,585 | 976,424,673 |
| | Previous year | 971,649,142 | 66,627,958 | 1,038,277,100 |
| Other income | | | | |
| | Current year | 642,120 | 104,399 | 746,519 |
| | Previous year | 312,767 | 100,009 | 412,776 |
| Total Revenue | | | | |
| | Current year | 934,174,208 | 42,996,984 | 977,171,192 |
| | Previous year | 971,961,910 | 66,727,967 | 1,038,689,876 |
| Segment result | | | | |
| | Current year | (162,639,531) | (4,832,320) | (167,471,850) |
| | Previous year | (136,895,975) | 2,311,215 | (134,584,760) |
| Interest | | | | |
| | Current year | 37,289,373 | - | 37,289,373 |
| | Previous year | 39,762,176 | - | 39,762,176 |
| Income tax (including deferred tax) | | | | |
| | Current year | | | - |
| | Previous year | | | - |
| Loss after tax | | | | |
| | Current year | (199,928,904) | (4,832,320) | (204,761,224) |
| | Previous year | (176,658,151) | 2,311,215 | (174,346,936) |

| | | | | |
|-----------------------------------|-----------------------|-------------|------------|-------------|
| Other information | | | | |
| Segment assets | | | | |
| | As at 31st March 2016 | 623,360,565 | 23,336,636 | 646,697,201 |
| | As at 31st March 2015 | 690,234,319 | 15,152,172 | 705,386,491 |
| Unallocated corporate assets | | | | |
| | As at 31st March 2016 | | | 2,166,147 |
| | As at 31st March 2015 | | | 1,928,875 |
| Total assets | | | | |
| | As at 31st March 2016 | 623,360,565 | 23,336,636 | 646,697,201 |
| | As at 31st March 2015 | 690,234,319 | 15,152,172 | 705,386,491 |
| Segment liabilities | | | | |
| | As at 31st March 2016 | 445,280,219 | 3,707,777 | 448,987,996 |
| | As at 31st March 2015 | 569,007,294 | 3,671,496 | 572,678,790 |
| Unallocated corporate liabilities | | | | |
| | As at 31st March 2016 | | | - |
| | As at 31st March 2015 | | | - |
| Total liabilities | | | | |
| | As at 31st March 2016 | 445,280,219 | 3,707,777 | 448,987,996 |
| | As at 31st March 2015 | 569,007,294 | 3,671,496 | 572,678,790 |
| Capital expenditure | | | | |
| | Current year | 2,951,380 | - | 2,951,380 |
| | Previous year | 26,849,861 | 234,510 | 27,084,371 |
| Depreciation and amortisation | | | | |
| | Current year | 52,306,668 | 109,325 | 52,415,993 |
| | Previous year | 56,815,956 | 63,846 | 56,879,802 |
| other non-cash expenses | | | | |
| Provision for doubtful debts | | | | |
| | Current year | 6,291,342 | - | 6,291,342 |
| | Previous year | - | - | - |

- ii) There is no geographical segment.



39 Related party disclosures

Information to be disclosed in accordance with the notified Accounting Standard 18 "Related Party Disclosures" as notified under the Act.

| (i) Relationship | Particulars |
|--------------------------|-------------------------------|
| Holding Company | HSIL Limited |
| Key management personnel | Mrs. Sumita Somany (Director) |

(ii) Transactions undertaken/balances outstanding with related parties in the ordinary course business:

| Particulars | Holding Company | | Key management personnel | |
|---|-----------------|---------------|--------------------------|---------------|
| | 31 March 2016 | 31 March 2015 | 31 March 2016 | 31 March 2015 |
| A Transactions during the year | | | | |
| (i) Sales of services/products | 545,239 | 1,971,333 | - | - |
| (ii) Purchase of trading goods | 8,906,382 | 6,095,882 | - | - |
| (iii) Amount paid by Holding Company on account of expenses pertaining to the Company | - | 789,806 | - | - |
| (iv) Amount of rent paid by Company on behalf of the Holding Company | - | 971,690 | - | - |
| (v) Amount paid on account of expenses/liabilities on behalf of Holding Company | 159,306 | 79,494 | - | - |
| (vi) Interest expense paid | 8,090,753 | 903,286 | - | - |
| (vii) Inter-corporate loan received | 165,000,000 | 60,000,000 | - | - |
| (viii) Inter-corporate loan installment paid | 120,000,000 | 60,000,000 | - | - |
| (ix) Issue and allotment of equity/preference shares | 270,000,000 | 100,000,000 | - | - |
| (x) Remuneration paid | - | - | 4,118,223 | 4,569,600 |
| Amount outstanding as at the year end: | | | | |
| Advance from customers | - | 260,000 | - | - |
| Trade payables | 5,624,271 | 5,143,317 | - | - |
| Inter-corporate loan | 45,000,000 | - | - | - |

40 Previous year's figures have been regrouped/reclassified, wherever considered necessary to make them comparable with those of the current year.

For N. C. Aggarwal & Co.
Chartered Accountants
Firm's Registration No. 003273N

G. K. Aggarwal
Partner
Membership No: 086622

Place : Gurgaon
Date : May 20, 2016



For and on behalf of the Board of Directors

Sumita Somany
Sumita Somany
(Whole time Director)
DIN-00133612

Komal Sinha
Komal Sinha
(Company Secretary)

R.B. Kabra
R.B. Kabra
(Director)
DIN-00021886

V.K. Ajmera
V.K. Ajmera
(Chief Financial Officer)