SAURABH GUPTA & Co.
CHARTERED ACCOUNTANTS
50, NARAIN DAS BUILDING, NARAHI, LUCKNOW - 226001 ☏: 0522-4067443

INDEPENDENT AUDITOR'S REPORT

To the Members of **K M SPIRITS AND ALLIED INDSUTRIES LIMITED**

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **K M SPIRITS AND ALLIED INDSUTRIES LIMITED** , which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss, , and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

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Narahi, Lucknow-226001
CHARTERED ACCOUNTANTS

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

(e) On the basis of written representations received from the directors as on March 31, 2019, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, from being appointed as a director in terms of section 164 (2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;

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

   i. The Company does not have any pending litigations on its financial position in its standalone Ind AS financial statements.

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Saurabh Gupta & Co.
Chartered Accountants
ICAI Firm Registration Number: 010542C

SAURABH GUPTA & Co.
50, Narain Das Building
Naval, Lucknow-226001
CHARTERED ACCOUNTANTS

Saurabh Gupta
Propreitor
MembershipNumber:400057
Place of Signature: Lucknow
Date: May 23, 2019

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: **K M SPIRITS AND ALLIED INDSUTRIES LIMITED** ('the company')

(i) (a) The Company does not have any fixed assets as on date.

(ii) The Company's business does not have any inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.

(iii) (a) The Company had granted loan to a company covered in the register maintained under section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loan are not prejudicial to the company's interest.

(b) The Company had not granted loan to a company covered in the register maintained under section 189 of the Companies Act, 2013.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are overdue for more than ninety days.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 186 of the Companies Act 2013 in respect of investments made have been complied with by the company. There are no loans, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.

(v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) (a) The Company does not have any pending undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, value added tax, goods and service tax, cess and other statutory dues applicable to it. The provisions relating to sales-tax, duty of custom and duty of excise are not applicable to the Company.

(b) According to the information and explanations given to us, there are no dues of provident fund, employees' state insurance, income tax, service tax, value added tax, goods and service tax and cess which have not been deposited on account of any dispute.

(c) According to the information and explanations given to us, there are no dues of provident fund, employees' state insurance, value added tax, goods and service tax and cess which have not been deposited on account of any dispute. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to any bank. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or to government or dues to debenture holders during the year.

(vii) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.

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CHARTERED ACCOUNTANTS

(viii) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company by the officers and employees of the Company has been noticed or reported during the year.

(ix) According to the information and explanations given by the management, no managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(x) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xi) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xii) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

(xiii) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.

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

For Saurabh Gupta & Co.
Chartered Accountants
ICAI Firm Registration Number: 010542C

SAURABH GUPTA & CO.
50, Narain Das Building
Na ?i, Lucknow-226001
CHARTERED ACCOUNTANTS

Saurabh Gupta
Propreitor
MembershipNumber:400057
Place of Signature: Lucknow
Date: May 23, 2019

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF K M SPIRITS AND ALLIED INDSUTRIES LIMITED

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

We have audited the internal financial controls over financial reporting of **K M SPIRITS AND ALLIED INDSUTRIES LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Naka, Lucknow-226001
CHARTERED ACCOUNTANTS

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, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Saurabh Gupta & Co.
Chartered Accountants
ICAI Firm Registration Number: 010542C

SAURABH GUPTA & Co.
50, Narain Das Building
Na ni, Lucknow-226001
CHARTERED ACCOUNTANTS

Saurabh Gupta
Propreitor
MembershipNumber:400057
Place of Signature: Lucknow
Date: May 23, 2019

K M Spirits and Allied Industries Limited

CIN: U15100UP2018PLC101321

Balance Sheet as at 31st March, 2019

(Amount in Rs.)

	Particulars	Note No.	As at March 31,2019	
I	**ASSETS**			
1	**Non-current assets**			
	(a) Property, Plant and Equipment	9	-	
	(b) Capital work-in-progress	9A	-	
			-	
2	**Current assets**			
	(a) Financial assets			
	(i) Bank Balance other than cash and cash equivalents	2	4,69,823.00	
	(b) Other current assets	3	-	
	(c) Other assets	1		
			4,69,823.00	
	Total Assets			
II	**EQUITY AND LIABILITIES**			
1	**EQUITY**			
	(a) Equity Share Capital	4	5,00,000.00	
	(b) Other Equity	5	(35,447.00)	
			4,64,553.00	
	LIABILITIES			
2	**Non-current liabilities**			
	(a) Financial liabilities			
	(i) Borrowing			
	(ii) Other financial liabilitties			
	(b) Other non current liabilities			
	(c) Deferred tax liabilities (net)			
	(d) Provisions			
			-	
3	**Current liabilities**			
	(a) Financial Liabilities			
	(i) Trade payables and other payables	6	5,270.00	
	(b) Other current liabilities	7	-	
			5,270.00	
	Total Equity and Liabilities		4,69,823.00	

Corporate Information
Significant Accounting Policies
Other disclosures

The accoumpaying notes 1 to 9 are an integral part of the financial statements

AUDITOR'S REPORT

SIGNED IN TERMS OF OUR SEPARATE REPORT OF EVEN DATE.
For Saurabh Gupta & Co.,
Chartered Accountants
FRN.- 010542C

SAURABH GUPTA & Co. 50, Narain Das Building Na ni, Lucknow-226001 CHARTERED ACCOUNTANTS

(SAURABH GUPTA)
Proprieter
M. NO. :400057
PLACE: LUCKNOW
DATED: 23.05.2019

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
K M Spirits and Allied Industries Limited

Sanjay Jhunjhunwala
(Director)
DIN-01777954

Aditya Jhunjhunwala
(Director)
DIN-01686189

K M Spirits and Allied Industries Limited

CIN: U15100UP2018PLC101321

Statement of Profit and Loss from 23-02-2018 to 31-03-2019

(Amount in Rs.)

	Particulars	Note No	Year Ended 31st March,19	
	Revenue From Operations			
	Other Income		-	
	Total Income (I+II)			
	EXPENSES			
	Other expenses	8	35,447.00	
	Total expenses		35,447.00	
	Profit/(loss) before exceptional items and tax **(III-IV)**		(35,447.00)	
	Exceptional Items		-	
	Profit/(loss) before tax (V-VI)		(35,447.00)	
	Tax expense:			
	Current tax			
	MAT Credit entitlement			
	Deferred tax			
	Profit (Loss) for the period **(VII-VIII)**		(35,447.00)	
	Other Comprehensive Income			
	(i) Items that will not be reclassified to profit or loss			
	(Gain) / Loss arising on actuarial valution arising on defined benefit obligation			
	(Gain) / Loss arising on fair valution of equity Instrument			
	(ii) Income tax relating to items that will not be reclassified to profit or loss			
	Total Comprehensive Income for the period **(X+XI)** (Comprising Profit (Loss) and Other Comprehensive Income for the period)		(35,447.00)	
	Earnings per equity share			
	(1) Basic		-0.71	
	(2) Diluted		-0.71	

Corporate Information-

Significant Accounting Policies -

Other Disclosures -

The accoumpaying notes 1 to 8 are an integral part of the financial statements

As per our report of even date attached

AUDITOR'S REPORT

SIGNED IN TERMS OF OUR SEPARATE REPORT OF EVEN DATE.
For Saurabh Gupta & Co.,
Chartered Accountants
FRN.- 010542C

SAURABH GUPTA & Co. 50, Narain Das Building Nari, Lucknow-226001 CHARTERED ACCOUNTANTS

(SAURABH GUPTA)
Proprieter
M. NO. :400057
PLACE: LUCKNOW
DATED: 23.05.2019

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
K M Spirits and Allied Industries Limited

Sanjay Jhunjhunwala	Aditya Jhunjhunwala
(Director)	(Director)
DIN-01777954	DIN-01686189

K M SPIRITS & ALLIED INDUSTRIES LIMITED
Notes to The Financial Statements as at 31st March, 2019

(Amount in Rs.)

		31st March,19	
		Current	Non current
Note 1	**Other Assets**		
	Capital advances	-	
	Advance to suppliers		
	Considered Good		
	Considered doubtful		
	Less: Allowance for doubtful advance		
	Others		
	Duties and Taxes Paid under protest		
	Others		
	Deferred Rent		
	Upfront fee		
	Total	-	

Note 2	**CASH AND CASH EQUIVALENT**	
	Balances with Banks,	
	In current Account SBI (Lucknow)	4,69,823.00
	In current Account SBI (Durgapur)	-
	Total	4,69,823.00

Note 3	**OTHER CURRENT ASSETS**	
	(a) Security Deposit	-
	Total	-

		No. of shares	Amount
Note 4	**Share Capital**		
	AUTHORISED		
	Equity Share Capital		
	Equity Shares of Rs. 10/- each	50,000	5,00,000
	Total	50,000	5,00,000
	Issued capital		
	Equity Share Capital		
	Equity Shares of Rs. 10/- each	50,000	5,00,000
	Total	50,000	5,00,000
	Subscribed and paid up capital		
	Equity Share Capital		
	Equity Shares of Rs. 10/- each	50,000	5,00,000
	Total	50,000	5,00,000

Reconciliation of number of shares outstanding and the amount of share capital outstanding and the amount of Share capital

i) Equity share capital

	No. of shares	Amount
Shares outstanding at the beginning of the year	-	-
Shares issued during the year	50,000	5,00,000
Shares bought back during the year	-	-
Shares outstanding at the end of the year	50,000	5,00,000

ii) Rights, preferences and restrictions attached to the equity shares

The Company has only one class of Issued, subscribed and paid up equity shares having a par value of INR 10/- each per share. 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 Annual General Meeting.

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 share holders.

iii) Details of the Shareholders holding more than 5% share in the Company

	31st March,19	
Particulrs	**No. of Shares held**	**Percentage of share holding**
Equity shares of INR 10/- each fully paid up		
M/s K M Sugar Mills Limited (Including Nominee Shareholders)	50,000	100.00

SAURABH GUPTA & CO. 50, Narain Das Building Na?ri, Lucknow-226001 CHARTERED ACCOUNTANTS

K M SPIRITS & ALLIED INDUSTRIES LIMITED
Notes to The Financial Statements as at 31st March, 2019

(Amount in Rs.)

		31st March,19

Note 5 Other Equity

		31.03.19
Surplus/(Deficit) in Statement of Profit & Loss		
Balance as per last account		-
Add: Profit/(Loss) for the current year		(35,447.00)
Closing balance	TOTAL	(35,447.00)

Note 6 Trade Payables

(i) Total outstanding dues of Micro enterprises & Small Enterprises		
(ii) Other than Micro enterprises Small Enterprises (Other than acceptance) *		5,270
	Total	5,270.00

Note 7 Other Current libilities

Staturory liabilities		-
	Total	-

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K M SPIRITS & ALLIED INDUSTRIES LIMITED

NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

(Amount in Rs.)

		31st March,19
Note 8	**Other Expenses**	
	Printing and stationary	-
	Bank Charges	177.00
	Audit fee	5,000.00
	Preliminary Exp	30,270.00
	Total	**35,447.00**

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CHARTERED ACCOUNTANTS

K M SPIRITS AND ALLIED INDSUTRIES LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

1. Corporate Information

K M SPIRITS AND ALLIED INDSUTRIES LIMITED is a public limited company incorporated and domiciled in India. The registered office of the Company is situated at 76, Eldeco Greens, Gomti Nagar, Lucknow, Uttar Pradesh – 226010.

The Company has proposed to carry on the business as distiller, manufacturer, procurer, importer, exporter, agent, broker, supplier, wholesaler of all types of spirits- ethanol alcohol, Extra Neutral Alcohol, Rectified Spirit and Spirit for Human Consumption etc.

2. Significant Accounting Policies

2.1 Statement of Compliance with Ind AS

In accordance with the notification dated 16th February, 2015, issued by the Ministry of Corporate Affairs, the Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) with effect from 1st April, 2016 with restatement of previous year figures presented in this financial statements. Accordingly, the financial statements have been prepared in accordance with Ind AS prescribed under Section 133 of the Companies Act, 2013 ("Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Company has adopted all the applicable Ind AS and the adoption was carried out in accordance with Ind AS-101 - First time adoption of Indian Accounting Standards.

The transition was carried out from Generally Accepted Accounting Principles in India, which comprised of applicable Accounting Standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India (ICAI), relevant applicable provisions of the Companies Act, 1956, and the Companies Act, 2013 to the extent applicable and the applicable guidelines issued by the Securities and Exchange Board of India (SEBI) ("Previous GAAP).

These financial statements for the year ended 31st March, 2019 are the first financial statements of the Company prepared in accordance with Ind AS.

All the Ind AS issued and notified by the Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are approved for issue by the Board of Directors has been considered in preparing these financial statements.

2.2 Basis of Preparation of Financial Statements

These financial statements are prepared on the accrual basis of accounting, under the historical cost convention except for the following:

i) Certain financial assets and financial liabilities measured at fair value and
ii) Defined benefits plan - plan assets measured at fair value.

There is no change in the system of accounting as being consistently followed from earlier years unless otherwise stated

All assets and liabilities have been classified as current or non-current as per company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the

SAURABH GUPTA & CO.
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CHARTERED ACCOUNTANTS

nature of operations and time between procurement of raw material and realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

2.3 Use of Estimates

The preparation of the Financial Statements in conformity with GAPP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure during the period. Management believes that the estimates made in the preparation of the financial statements are prudent and reliable. Actual results might differ from the estimates. Difference between the actual results and estimates are recognized in the period in which results are known/material.

i) Estimated useful life of Property, plant and equipment

PPE represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual value of the asset are determined by the management when the asset is acquired and reviewed periodically including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their lives, such as change in technology.

ii) Recognition of deferred tax assets for carried forward tax losses and unused tax credit

Deferred tax assets are recognized for unused losses (carry forward of prior years' losses) and unused tax credit to the extent that it is probable that taxable profit would be available against which the losses could be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

iii) Estimation of Defined benefit obligations

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. 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 financial year end. The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans, the actuary considers the interest rates of government bonds. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates.

iv) Estimated fair value of unlisted securities

The fair values of financial instruments that are not traded in an active market and cannot be measured based on quoted prices in active markets is determined using valuation techniques including the discounted cash flow (DCF) model. The company uses its judgment to select a variety of method / methods and make assumptions that are mainly based on market conditions existing at the end of each financial year. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgment includes considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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CHARTERED ACCOUNTANTS

2.4 Property, plant and equipment (PPE) and Capital work-in-progress (CWIP)

Transition to Ind AS

The Company has elected to continue with carrying value of all Property, plant and equipment and Capital work-in-progress (CWIP) under the previous GAAP as deemed cost as at the transition date i.e. 1st April, 2016.

Under the previous GAAP, Property, plant and equipment were stated at their original cost (net of accumulated depreciation and impairment) adjusted by revaluation of certain assets.

The Property, plant and equipment (PPE) and Capital work-in-progress (CWIP) are stated at cost net of cenvat credit and/or at revalued price less accumulated depreciation and Accumulated Impairment.

Interest on borrowings used to finance the construction of qualifying assets are capitalized as part of the cost of the asset until such time that the asset is ready for its intended use.

Depreciation on Property, plant and equipment (PPE) is provided on written down value method as prescribed under Part C of Schedule II to the Companies Act, 2013. The additional depreciation, on increase in cost on account of revaluation, is transferred to Retained Earnings from Revaluation Reserve and is thus not charged to statement of Profit & Loss of the year.

Useful life of assets are considered on the base is of Schedule-II of Companies Act, 2013

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Each item of PPE individually costing Rs.5,000 or less is depreciated fully in the year of their put to use.

Depreciation/amortization on assets added, sold or discarded during the year is provided on pro-rata basis.

2.5 Intangible assets (Computer Software)

Transition to Ind AS:

The Company has elected to continue with carrying value of computer software under the previous GAAP, as deemed cost as at the transition date i.e. 1st April, 2016. Under the previous GAAP, computer software was stated at their original cost (net of accumulated amortization and accumulated impairment, if any).

Intangible assets expected to provide future enduring economic benefits are recorded at the consideration paid for acquisition of such assets and are carried at cost of acquisition less accumulated amortization and impairment, if any.

Intangible assets: Computer software is amortized over a period of four years.

2.6 Revenue Recognition and Expenses

(i) Revenue is recognized to the extent it is probable that economic benefits would flow to the Company and the revenue can be reliably measured, regardless of when the revenue proceeds is received from customers.

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(ii) Revenue is measured at the fair value of the consideration received/receivable taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government.

(iii) Revenue from the sale of products is recognized when the property in goods is transferred to the buyer for a consideration. Revenue from service transaction is recognized as the service is performed.

(iv) Insurance claims have been accounted for on cash basis as per past practice.

(v) Revenue from certified emission reductions (CERs) and renewable emission certificate (REC) is recognized on cash basis in the absence of reasonable assurance that future economic benefits will flow from the same to the company.

(vi) All other Incomes are accounted for on accrual basis.

2.7 Expenses

(i) All expenses are accounted for on accrual basis.

2.8 Inventory

a) Cost of inventory comprises of purchase price, cost of conversion and other cost that have been incurred in bringing the inventories to their respective present location and condition. Interest costs are not included in value of inventory.

Inventories are valued as under:

a) Raw Materials and Finished Goods (except molasses) are carried at lower of cost and net realizable value.
b) Stock of Molasses is carried at net realizable value.
c) Stores & Spares are carried at cost.
d) Goods in Process / WIP are carried at lower of cost and net realizable Value.
e) Banked power with UPPCL is carried at lower of cost and net realizable value.

2.9 Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

•In the principal market for the asset or liability; or
•In the absence of a principal market, in the most advantageous market for the asset or liability.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided by the management after discussion with and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

2.10 Financial instruments

Financial assets and financial liabilities are recognised in the Balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The financial assets include equity and debt securities, trade and other receivables, loans and advances, cash and bank balances and derivative financial instruments.

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Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in the following categories:
1) At amortised cost,
2) At fair value through other comprehensive income (FVTOCI), and
3) At fair value through profit or loss (FVTPL).

Debt instruments at amortised cost

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Equity investments

All equity investments in the scope of Ind AS 109 are measured at fair value except in case of investment in subsidiary carried at deemed cost and associate carried at cost.

Deemed cost is the carrying amount under the previous GAAP as at the transition date i.e. 1st April, 2016. Equity instruments included within the FVTPL category, if any, are measured at fair value with all changes recognized in profit or loss. The Company may make an irrevocable election to present in OCI subsequent changes in the fair value.

The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. If the Company decides to classify an equity instrument at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in OCI.

There is no recycling of the amounts from OCI to profit or loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

De-recognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset.

2.11 Employees Benefits

(i) Short term employee benefits

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

(ii) Post employment benefits

Defined contribution plans:

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A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The company makes specified monthly contributions towards provident fund. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which employee renders the related service.

Defined benefit plan:

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

When the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses are recognized in the other comprehensive income

(iii) Long term employment benefits

The Company's net obligation in respect of long-term employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

(iv)Compensated absences

The employees can carry-forward a portion of the unutilized accrued compensated absences and utilize it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Short term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit & Loss for the year in which the related service is rendered.

2.12 Borrowing Costs

Borrowing costs attributable to the qualifying assets are capitalized up to the period such assets are ready for the intended use and commenced commercial production. All other borrowing cost is charged to the Statement of Profit & Loss in the period in which they are incurred.

2.13 Government Grants

Government grants are recognised at fair value when there is reasonable assurance that the grant would be received and the Company would comply with all the conditions attached with them.

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Government grants related to PPE are treated as deferred income (included under non-current liabilities with current portion considered under current liabilities) and are recognized and credited in the Statement of Profit and Loss on a systematic and rational basis over the estimated useful life of the related asset and included under "Other Income".

The benefit of government loan at a below-market rate of interest is treated as a government grant. The Difference between the market rate of interest and actual rate of interest is treated as government grant.

First time Adopter shall classify all government loan received as financial liability or Equity as per Ind AS- 32. First time adopter shall apply the requirement in Ind AS -20 and Ind AS -109 to government loan existing at the date of transition to Ind AS and shall not recognized the corresponding benefit of government loan at below market rate of interest as government grant.

Government Grants in the nature of Government promoters' contribution, i e. which have reference to the total investment in an undertaking or by way of contribution towards total capital outlay, are credited to retained earnings as related to the previous years.

2.14 Financial Derivatives and Commodity Hedging Transactions

Financial Derivatives and commodity hedging contracts are accounted for on the date of their settlement and realized gain/loss in respect of settled contracts are recognized in the Statement of Profit & Loss, along with the underlying transactions.

2.15 Foreign Currency Transactions and Translations

a) Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items denominated in foreign currency at the year end are translated at year end rates.

b) Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

c) In respect of monetary items which are covered by forward exchange contracts, the difference between the year end and the rate on the date of contract is recognized as exchange difference and the premium on such forward contracts is recognized over the life of the forward contract.

d) The exchange differences arising on settlement/translation are recognized in the Statement of Profit and Loss.

2.16 Taxes on Income

(a) **Current Tax**

Tax on income for the current period is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which give future economic benefit in the form of adjustment to future income tax liability is considered as an asset to the extent there is convincing evidence that the company will pay normal income tax.

(b) **Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax bases used in the computation of taxable profit.

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Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction (other than a business combination) affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credit to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised on all taxable temporary differences.

2.17 Impairment of Non financial Assets

(i) Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(ii) An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount, costs of disposal and value in use.

(iii) For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash generating units).

(iv) Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of the each reporting period.

2.18 Leases

Assets acquired as leases where a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit & Loss on accrual basis.

2.19 Provisions, Contingent Liabilities and Contingent Assets

(i) Provision is recognized in respect of obligations where, based on the evidence available, their existence at the Balance Sheet date is considered probable.

(ii) Provision is recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated.

(iii) Provisions are not recognized for future operating losses.

(iv) Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

(v) A contingent asset is not recognized in the financial statements.

(vi) Provisions and contingent liabilities are reviewed at each balance sheet date.

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2.20 Investment Property

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes. Investment properties are accounted for in the books at cost. However, fair value of such property is required to be disclosed only in accordance with Ind AS 40.

2.21 Segment Reporting

Primary Segment

Based on the guiding principles given in the Ind AS-108 "Segment Reporting" issued by ICAI, the Company's segments are Sugar, Power Generation and Distillery.

Revenue and expenses have been accounted for on the basis of their relationship to the operating activities of the respective segment.

Segment Identification

Business segments have been identified on the basis of the nature of products/ services, the risk return profile of individual business, the organizational structure and the internal reporting system of the company.

The operating segments are reported after taken into consideration of Aggregation criteria and Quantitative threshold as mentioned in Para 12 and 13 of Ind AS 108.

Excise duty in respect of finished goods held in stock has been accounted for at the end of the year and is included in the value of closing stock.

2.22 Earning Per Share

Basic earnings per share is computed by dividing the profit/ (loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/ (loss) after tax (including the post tax effect of extra ordinary items, if any) by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares which could be issued on the conversion of all dilutive potential equity shares.

2.23 Cash and Cash Equivalents

Cash and cash equivalents Cash and cash equivalents in the Balance sheet comprise cash on hand, cheques on hand, balance with banks on current accounts and short term, highly liquid investments with an original maturity of three months or less and which carry insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, Cash and cash equivalents consist of Cash and cash equivalents, as defined above and net of outstanding book overdrafts as they are considered an integral part of the Company's cash management

2.24 Cash Flow Statement

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Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payment and item of income or expenses associated with investing or financing flows. The cash flows operating, investing and financing activities of the company are segregated.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
K M Spirits and Allied Industries Limited

Sanjay Jhunjhunwala	Aditya Jhunjhunwala
(Director)	(Director)
DIN-01777954	DIN-01686189

For Saurabh Gupta & Co.,
Chartered Accountants
FRN.- 010542C

(SAURABH GUPTA)
Proprieter
M. NO. :400057
PLACE: LUCKNOW
DATED: 23.05.2019

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KM Spirits and Allied Industries Ltd
Notes to the Financial Statements for the year ended 31st March 2019

Explanation of transition to Ind AS

These financial statements, for the year ended 31st March, 2019, are the first financial statements, the Company has prepared in accordance with Ind AS. Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for year ended 31st March, 2019.

This note explains the principal adjustments made by the Company and an explanation on how the transition from the previous GAAP to Ind AS has affected its financial statements. Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from the previous GAAP to Ind AS:

(a) The Company has elected to continue with carrying value of all Property, plant and equipment under the previous GAAP as deemed cost as at the transition date. Under the previous GAAP, Property, plant and equipment were stated at their original cost(net of accumulated depreciation, amortization and impairment), if any, adjusted by revaluation of certain assets.

(b) The Company has elected to continue with the carrying value of Capital work in progress as recognized under the previous GAAP as deemed cost as at the transition date.

(c) The Company has elected to continue with the carrying value for intangible assets (computer software) as recognized under the previous GAAP as deemed cost as at the transition date. Under the previous GAAP, Computer Software was stated at its original cost, net of accumulated amortization.

(d) Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with IndAS17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used Ind AS 101exemption and assessed all arrangements for embedded leases based on conditions in place as at the date of transition.

(e) The Company has elected to apply previous GAAP carrying amount of its investment in its subsidiary as deemed cost as at the date of transition. Under Ind AS 109, at initial recognition of a financial asset, an entity may make an irrevocable election to present subsequent changes inthe fairvalue of an investment in an equity instrument in other comprehensive income. Ind AS101 allows such designation of previouslyrecognized financial assets, as 'FVTOCI' on the basis of the facts and circumstances that existed at the date of transition to Ind AS.Accordingly, the Company has designated its investments in certain equity instruments at fair value through other comprehensiveincome on the basis of the facts and circumstances that existed as at the date of transition to Ind AS.

(f) The estimates as at 1st April, 2018 and as at 31st March 2019 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies).

(g) The Company uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks respectively. Under the previous GAAP, there is no mandatory standard that deals with hedge accounting, which has resulted in the adoption of varying practices. The Company has not applied for hedge accounting on or after the transition date.

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(h) Ind AS 101 requires the de-recognition requirements of Ind AS 109 to be applied prospectively to transactions occurring on or after the date of transition. Therefore, the Company has not recognized financial assets and liabilities under Ind AS which were derecognized under the previous GAAP as a result of a transaction that occurred before the date of transition.

(i) The Company has applied the requirements in Ind AS 109 and Ind AS 20 retrospectively to government loans existing as at the date of transition to Ind AS.

1. **Financial risk management objectives and policies**

The Company's principal financial liabilities include Borrowings, Trade payable and Other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include Trade receivables, Cash and cash equivalents and Other financial assets that derive directly from its operations. The Company is exposed to credit risk, liquidity risk and market risk. The Company's senior management oversees the management of these risks and the appropriate financial risk governance framework for the Company. The senior management provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviewed policies for managing each of below mentioned risks, which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other risks, such as regulatory risk and commodity price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings obligations with floating interest rates. Financial implication will not adversely affect the businesses as the management has established a periodical review procedure to consider the changes taken place in market.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's foreign currency denominated borrowings. This foreign currency risk is covered by using foreign exchange forward contracts and currency swap contracts. The company does not have substantial transactions during the year in foreign currency so the company does not have such kind of risk.

(iii) Regulatory risk

Sugar industry is regulated both by central government as well as state government. Central and state governments policies and regulations affect the Sugar industry and the Company's operations and profitability. Distillery business is also dependent on the Government policy. However, with the

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removal of major regulatory control on sugar sales by the Central Government, the regulatory risk are moderated.

(iv) Commodity price risk

Sugar industry being cyclical in nature, realizations get adversely affected during downturn. Higher cane price or higher production than the demand ultimately affect profitability. The Company has mitigated this risk by well integrated business model by diversifying into co-generation and distillation, thereby utilizing the by-products. Credit risk Credit risk is the risk that counterparty will not meet its Obligations under a financial instrument or customer contract, leading to a financial loss. The company's sugar sales are mostly on cash. Power and ethanol are sold to state government entities; thereby the credit default risk is significantly mitigated.

The impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each balance sheet date. Financial assets are written off when there is no reasonable expectation of recovery, however, the Company continues to attempt to recover the receivables. Where recoveries are made, these are recognized in the Statement of Profit and Loss.

(v) Trade receivables

Trade receivables are non-interest bearing and are generally on cash basis. An impairment analysis is performed at each balance sheet date on an individual basis for major clients. In addition, a large n umber of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of financial assets disclosed under.

(vi) Liquidity Risk

Liquidity risk refers to the probability of loss arising from a situation where there will not be enough cash and/or cash equivalents to meet the needs of depositors and borrowers, sale of illiquid assets will yield less than their fair value and illiquid assets will not be sold at the desired time due to lack of buyers. The primary objective of liquidity management is to provide for sufficient cash and cash equivalents at all times and any place in the world to enable us to meet our payment obligations. The company is maintaining cash credit limit to a reasonable level to meet out the current obligation.

2. Earnings per Share

Basic and Diluted EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares

Basic and Diluted EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the company by the weighted average number of Equity shares outstanding during the year.

Particulars	
Loss attributable to equity holders of the Company:	**31st March,19**
Loss attributable to equity holders for basic earnings	(35,447)
Loss attributable to equity holders adjusted for dilution effect	(35,447)
Weighted Average number of equity shares used for computing Earning Per Share (Basic & Diluted) *	50,000
Earnings Per Share (Basic & Diluted)	(0.71)

3 Employee benefits in the form of Provident Fund are considered as defined contribution plan. The contribution to defined contribution plan, recognized the following amounts in the Statement of Profit & Loss:

	Current year	Previous year
Employers' contribution to provident fund	-	-

Defined benefits plans

Long term employee benefits in the form of gratuity and leave encashment are considered as defined benefit plan. The present value of obligation is determined based on actuarial valuation using projected Unit credit method as at the balance sheet date. The amount of defined benefits recognized in the balance sheet represent the present value of obligation as adjusted for unrecognized past service cost *as reduced by the fair value of plan assets. Short term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit & Loss for the year in which the related service is rendered.

In accordance with the Ind AS-19, since the Company does not have any employee, hence it not applicable.

4. **Commitments:**

(Rs.In lakhs)

Particulars	31st March, 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	-
Advances paid against above	-
TOTAL	-

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Other Current Assets shown under Notes 12.7 includes certain advances given to suppliers of raw material and revenue purchases, which are adjustable against the supply of goods/services. The management is of the opinion that these balances are recoverable/adjustable in future and accordingly, provision against the same has not been considered at this stage.

Fair value **-Not Applicable**

5. **Capital Management**

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio under control except for the first quarter of the financial year due to non-payment of cane dues. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019:

Capital Management **(In Rs.)**

Description	**31 March 2018**
Borrowings	
Other Liabilities	
Trade and other payables	5,270
Less: Cash and short-term deposits	4,69,823
Net debts	(4,64,553)
Equity	5,00,000
Other Equity	(35,447)
Total Capital	4,64,553
Capital and net debt	0
Gearing ratio (%)	**100**

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6. **Equity Reconciliation**

Equity reconciliation of company as on 1st April,18 and 31st March,19 are given below:

Disclosures as required by Ind AS -101 -First Time Adoption of Indian Accounting Standards - Reconciliation between Previous GAAP and Ind AS. - NOT APPLICABLE

Property, plant and equipment: Under Ind AS, the Company has elected to opt for cost model with respect to property, plant and equipment, capital work in progress and computer software.- NOT APPLICABLE

B & D.Loan: Under the previous GAAP, security deposit given to parties were classified under loan and advances. Now, under Ind AS, refundable security deposit to be classified as loan given to parties and covered under Ind As 32 and 109 and required to be amortised to their fair value. Difference between carrying amount and its fair value is shown under deferred rent and amortised over the tenure of agreement.

C. **Investments in equity instruments:** Under the previous GAAP, investment in equity instruments were classified as long-term investments or current investment based on the intended holding period and realizability. The Company accounted for long term investments in equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments, if any. Under Ind AS, the Company has the option to designate such investments either as FVTOCI or FVTPL investments under Ind As 109 and 32. In case of other long-term investments in unquoted equity shares, the Company has designated investments as FVTOCI investments as at the date of transition.

Investment in preference share (Unquoted)

Under GAAP investment in preference share were shown as investment. Under Ind AS 109 and 32 if they are issued less than market rate of interest and unquoted then should be amortised to bring them at their fair value. Difference between carrying value of Investment as per previous GAAP.

E. **Borrowings:**

Ind AS requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognized in profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under previous GAAP, transaction costs incurred in connection with borrowings are accounted upfront and charged to Statement of Profit and Loss for the period in which such transaction costs are incurred.

F. **Deferred tax:** Previous GAAP required deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the year. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which were not required under the previous GAAP. Moreover, carry forward of unused tax credits are to be treated as deferred tax assets which was earlier considered as Other non-current non-financial assets.

Retained earnings as at the transition date has been adjusted consequent to the above Ind AS transitional adjustments.

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G. Government Grant

Under Previous GAAP, Loan taken from government was not considered as government grant. Now, under Ind AS 20 loans received from government at concessional rate would be considered as government grant. and its value will be determined under Ind As 109 and 32. Difference between amount under GAAP was

H. Capital Reserve

Certain government grant was received by the Company in past years as grant in the nature of promoter's contribution and recognized under Capital reserve as required under the previous GAAP. Ind AS does not permit recognition of government grant in the nature of promoter contribution to capital reserve. Under Ind AS, such government grants are required to be treated as an asset related grant and to be presented in the balance sheet by setting up the grant as deferred income..

I. Corporate Guarantee Given by Holding Company to Subsidiary. NA

J. Revenue from sale of goods

Under the previous GAAP, revenue from sale of goods was presented as net of excise duty on sales. However, under Ind AS, revenue from sale of goods includes excise duty and such excise duty is separately presented as an expense on the face of the Statement of Profit and Loss.

Interest Income

The previous GAAP required the recognition of revenue from interest on time proportion basis. However, Ind AS requires interest on financial assets to be recognized using the effective interest rate method.

K. Defined benefit liabilities:

As under the previous GAAP, under Ind AS, also the Company continues to recognize costs related to its post-employment defined benefit plan on an actuarial basis. The entire cost, including actuarial gains and losses, was charged to the Statement of Profit and Loss. Under Ind AS, re-measurements of defined benefit plan are recognized in the Balance Sheet with a corresponding debit or credit to equity through Other Comprehensive Income (OCI).

L. Finance cost

Unwinding effect related to Financial Liability is recognised as Finance cost. It is mainly related to borrowing taken from government at concessional rate.

M. Total comprehensive income and other comprehensive income:

Under the previous GAAP, the company did not present total comprehensive income and other comprehensive income. Hence, it has reconciled the previous GAAP profit to profit as per Ind AS. Further, the previous GAAP profit is reconciled to other comprehensive income and total comprehensive income as per Ind AS.

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Components of other comprehensive income
The disaggregation of changes to OCI in equity is shown below:

During the year ended 31 March, 2019	**Nil**

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS
K M Spirits and Allied Industries Limited

For Saurabh Gupta & Co.,
Chartered Accountants
FRN.- 010542C

(SAURABH GUPTA)
Proprieter
M. NO. :400057
PLACE: LUCKNOW
DATED: 23.05.2019

SAURABH GUPTA & Co.
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CHARTERED ACCOUNTANTS

Sanjay Jhunjhunwala
(Director)
DIN-01777954

Aditya Jhunjhunwala
(Director)
DIN-01686189