HMC MM Auto Limited

Statutory Audit for the year ended 31 March 2018

B S R & Co. LLP
Chartered Accountants

Building No.10, 8th Floor, Tower-B
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INDEPENDENT AUDITOR'S REPORT

To The Members of HMC MM Auto Limited

Report on the Audit of the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of HMC MM Auto Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow for the year then ended, and summary of the 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 Ind AS financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

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

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

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing 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 Ind AS financial statements are free from material misstatement.

B S R & Co. (a partnership firm with Registration No. BA61223) converted into B S R & Co. LLP (a Limited Liability Partnership with LLP Registration No. AAB-8181) with effect from October 14, 2013

Registered Office:
5th Floor, Lodha Excelus
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N.M. Joshi Marg, Mahalakshmi
Mumbai - 400 011

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

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 31 March 2018, its loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Other Matters

The comparative financial statements of the Company for the year ended 31 March 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 2 May 2017.

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 in terms of Section 143(11) of the Act, we give in "Annexure A" 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 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, the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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 Ind AS financial statements – Refer Note 32 to the 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8th November 2016 to 30th December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited Ind AS financial statements for the period ended 31 March 2017 have been disclosed.

For **B S R & Co. LLP**
Chartered Accountants
(Firm's Registration No.: 101248W/W-100022)

Jiten Chopra

Jiten Chopra
Partner
Membership No.: 092894

Place: Gurgaon
Date: 26 April 2018

Annexure A referred to in the Independent Auditor's Report to the Members of HMC MM Auto Limited on the financial statements for the year ended 31 March 2018

(i) (a) According to the information and explanation given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, the Company has physically verified its movable fixed assets during the year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. There were no discrepancies noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not have any immovable property. Accordingly, paragraph 3(i)(c) of the Order is not applicable.

(ii) According to the information and explanation given to us, the inventories, except goods-in-transit, have been physically verified by the management during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its inventory. There were no material discrepancies noticed on such verification between the physical stocks and the book records

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the provisions of section 185 and 186 of the Act are not applicable to the Company. Accordingly, paragraph 3(iv) of the Order is not applicable.

(v) According to the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable.

(vi) According to the information and explanations given to us, the maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees state insurance, sales-tax, goods and service tax, income-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanation given to us, there are no undisputed amounts payable in respect of provident fund, employees state insurance, sales-tax, goods and service tax, income-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues that were in arrear as on 31 March 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues in respect of income-tax, sales-tax, goods and service tax, value added tax, service tax and duty of customs, duty of excise which have not been deposited with the appropriate authorities on account of any dispute, except for the following:

S. no	Name of the statute	Nature of dues	Amount due (Rs. '000)	Period to which the amount relates (financial year)	Forum where the dispute is pending
1	Income-tax Act, 1961	Income-tax	1,793	2014-15	Commissioner of Income tax (Appeals)

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans/ borrowings to banks. The Company has not taken any loans or borrowings from financial institutions and government and has not issued any debentures during the year.

(ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.

(x) During the course of our examination of the books and records of the Company and according to the information and explanations given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanations given to us and based on the examination of records of the Company, the Company has not paid/ provided for any managerial remuneration during the year. Accordingly, paragraph 3(xi) of the Order is not applicable.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-1A of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
Chartered Accountants
(Firm's Registration No.: 101248W/W-100022)

Jiten Chopra

Jiten Chopra
Partner
Membership No.: 092894

Place: Gurgaon
Date: 26 April 18

Annexure B referred to in paragraph 2(f) to the Independent Auditor's Report of even date on the Financial Statements of HMC MM Auto Limited for the year ended 31 March 2018

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 HMC MM Auto Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") 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 Act.

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 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 judgement, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the 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 Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the 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 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No.: 101248W/W-100022

Jiten Chopra
Partner
Membership No.: 092894

Place: Gurgaon
Date: 26 April 2018

HMC MM AUTO LIMITED
Balance Sheet as at 31 March 2018
Amount in Rupees thousands

	Note	As at 31 March 2018	As at 31 March 2017
ASSETS			
NON-CURRENT ASSETS			
(a) Property, plant and equipment	2	142,546	145,590
(b) Capital work-in-progress		45	-
(c) Intangible assets	3	174,536	166,742
(d) Intangible assets under development		18,476	1,286
(e) Financial assets			-
Loan	4	1,617	1,606
(f) Other non-current assets	5	11,225	21,535
SUB-TOTAL		**348,445**	**336,759**
CURRENT ASSETS			
(a) Inventories	6	43,951	27,553
(b) Financial assets			
(i) Investments	7	-	32,145
(ii) Trade receivables	8	47,347	40,564
(iii) Cash and cash equivalents	9	148	293
(iv) Loan	4	276	120
(c) Other current assets	5	35,851	16,814
SUB-TOTAL		**127,573**	**117,489**
TOTAL ASSETS		**476,018**	**454,248**
EQUITY AND LIABILITIES			
EQUITY			
(a) Equity share capital	10	434,500	384,500
(b) Other equity			
Retained earnings		(302,798)	(221,138)
Others (including other comprehensive income)		91	(381)
SUB-TOTAL		**131,793**	**162,981**
LIABILITIES			
NON-CURRENT LIABILITIES			
(a) Financial Liabilities			
Borrowings	11	50,555	79,444
(b) Provisions	12	4,582	3,205
SUB-TOTAL		**55,137**	**82,649**
CURRENT LIABILITIES			
(a) Financial Liabilities			
(i) Borrowings	13	187,277	116,832
(ii) Trade payables	14	51,643	43,160
(iii) Other financial liabilities	15	40,916	40,015
(b) Provisions	12	5,066	3,221
(c) Other current liabilities	16	4,186	5,390
SUB-TOTAL		**289,088**	**208,618**
TOTAL EQUITY AND LIABILITIES		**476,018**	**454,248**

The notes referred to are an integral part of these financial statements

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jiten Chopra

Jiten Chopra
Partner
Membership No: 092894
Place : Gurugram
Date : 26 April 2018

For and on behalf of the Board of Directors of HMC MM Auto Limited

Niranjan Kumar Gupta
Director
DIN- 07806792

Saju Mookken
Director
DIN- 01644940

Arjun Dewan

Arjun Dewan
Chief Financial Officer

Manish Kumar Sharma

Manish Kumar Sharma
Company Secretary

Place : NEW DELHI
Date : 26 April 2018

HMC MM AUTO LTD. NEW DELHI

HMC MM AUTO LIMITED
Statement of Profit and Loss for the year ended 31 March 2018
Amount in Rupees thousands

Particulars		Note	For the year ended 31 March 2018	For the year ended 31 March 2017
I	Revenue from operations	17	3,45,743	2,17,296
II	Other income	18	608	10,244
III	**Total Income (I + II)**		**3,46,351**	**2,27,540**
IV	**EXPENSES**			
	(a) Cost of materials consumed	19(a)	1,85,555	1,15,951
	(b) Purchases of stock-in-trade		71,435	25,620
	(c) Changes in stock of finished goods, work-in-progress and stock-in-trade	19(b)	(7,830)	(4,231)
	(d) Excise duty on sale of products		12,373	21,033
	(e) Employee benefit expense	20	67,485	73,678
	(f) Finance costs	21	18,859	19,303
	(g) Depreciation and amortisation expense	2, 3	39,767	33,647
	(h) Other expenses	22	40,367	37,399
V	**Total Expenses**		**4,28,011**	**3,22,400**
VI	**Loss before and after tax (III - V)**		**81,660**	**94,860**
VII	**Other comprehensive income**			
	Items that will not be re-classified to profit or loss			
	Remeasurements of the defined benefit plans		472	(513)
VIII	**Total comprehensive income for the year**		(81,188)	(95,373)
IX	**Loss per equity share [equity share face value of Rs.10 (Previous year Rs.10)]**			
	Basic & diluted	23	(1.98)	(2.79)

The notes referred to are an integral part of these financial statements

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jiten Chopra

Jiten Chopra
Partner
Membership No: 092894
Place : Gurugram
Date : 26 April 2018

For and on behalf of the Board of Directors of HMC MM Auto Limited

Niranjan Kumar Gupta
Director
DIN- 07806792

Saju Mookken
Director
DIN- 01644940

HMC MM AUTO LTD. NEW DELHI

Arjun Dewan

Arjun Dewan
Chief Financial Officer

Manish Kumar Sharma

Manish Kumar Sharma
Company Secretary

Place : NEW DELHI
Date : 26 April 2018

HMC MM AUTO LIMITED
Statement of Cash flows for the year ended 31 March 2018
Amount in Rupees thousands

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Cash flows from operating activities		
Profit before tax for the year	(81,660)	(94,860)
Adjustments for:		
Finance costs	18,859	19,303
Net gain on sale of investment	(598)	(1,918)
(Gain)/loss on discard of property, plant and equipment	-	(2,984)
Net (gain)/loss arising on financial assets mandatorily measured at FVTPL	-	(1,595)
Depreciation and amortisation	39,767	33,647
	(23,632)	(48,406)
Working capital adjustments:		
(Increase)/decrease in trade receivables	(6,783)	(39,896)
(Increase)/decrease in inventories	(16,398)	(14,896)
(Increase)/decrease in other non current assets	11,102	(18,138)
(Increase)/decrease in other assets	(19,037)	12,122
(Increase)/decrease in other financial assets	(167)	663
Increase/(decrease) in trade and other payables	8,483	24,570
Increase/(decrease) in short term provisions	1,845	1,781
Increase/(decrease) in long-term provisions	1,850	648
Increase/(decrease) in other liabilities	(1,040)	75
Cash generated from operating activities	(43,778)	(81,477)
Income taxes paid	-	(2,118)
Net cash used in by operating activities	(43,778)	(83,595)
Cash flows from investing activities		
Payments to acquire financial assets	-	(20,000)
Proceeds from sale of financial assets	32,743	16,000
Payments for property, plant and equipment, including capital advances	(61,983)	(1,02,072)
Proceeds from discard of property, plant and equipment	-	16,435
Net cash used in by investing activities	(29,240)	(89,637)
Cash flows from financing activities		
Proceeds from issue of equity instruments of the Company	50,000	1,34,000
Equity share issuance costs	-	(197)
Proceeds from borrowings	70,445	79,570
Repayment of borrowings	(28,889)	(21,667)
Interest paid	(18,683)	(18,791)
Net cash generated by financing activities	72,873	1,72,915
Net increase in cash and cash equivalents	(145)	(316)
Cash and cash equivalents at the beginning of the year	293	609
Cash and cash equivalents at the end of the year	148	293

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jiten Chopra

Jiten Chopra
Partner
Membership No: 092894
Place : Gurugram
Date : 26 April 2018

HMC MM AUTO LTD. NEW DELHI

For and on behalf of the Board of Directors of HMC MM Auto Limited

Niranjan Kumar Gupta
Director
DIN- 07806792

Saju Mookken
Director
DIN- 01644940

Arjun Dewan
Chief Financial Officer

Manish Kumar Sharma
Company Secretary

Place : NEW DELHI
Date : 26 April 2018

HMC MM AUTO LIMITED
Statement Of Changes In Equity for the year ended 31 March 2018
Amount in Rupees thousands

A. Equity share capital

Balance as at 1 April 2016	2,14,500
Issue of share capital (refer note -10)	1,70,000
As at 1 April 2017	3,84,500
Issue of share capital (refer note -10)	50,000
Balance as at 31 March 2018	**4,34,500**

B. Other equity

Particulars	Share application money pending allotment	Reserves and Surplus	Items of other comprehensive income	Total
		Retained Earnings	Actuarial Gain / (Loss)	
As at 1 April 2016	**36,000**	**(1,26,081)**	**132**	**(89,949)**
Share alloted during the year	**(36,000)**	-	-	**(36,000)**
Profit / (Loss) for the year	-	(94,860)	-	(94,860)
Other comprehensive income / (Loss)	-	-	(513)	(513)
Total comprehensive income for the year	-	(94,860)	(513)	(95,373)
Equity share issuance costs	-	(197)	-	(197)
As at 31 March 2017	-	**(2,21,138)**	**(381)**	**(2,21,519)**
Profit / (Loss) for the year	-	(81,660)	-	(81,660)
Other comprehensive income / (Loss)	-	-	472	472
Total comprehensive income for the year	-	(81,660)	472	(81,188)
As at 31 March 2018	-	**(3,02,798)**	**91**	**(3,02,707)**

Remeasurment gain / loss (net) on defined benefit plans Rs. 472 gain (previous year Rs. 513 loss) is recognised during the year as a part of other comprehensive income.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jiten Chopra

Jiten Chopra
Partner
Membership No: 092894
Place : Gurugram
Date : 26 April 2018

For and on behalf of the Board of Directors of HMC MM Auto Limited

Niranjan Kumar Gupta
Director
DIN- 07806792

Arjun Dewan
Chief Financial Officer

Place : NEW DELHI
Date : 26 April 2018

HMC MM AUTO LTD. NEW DELHI

Saju Mookken
Director
DIN- 01644940

Manish Kumar Sharma
Company Secretary

HMC MM AUTO LIMITED

Notes to the financial statements for the year ended 31 March 2018

1. CORPORATE INFORMATION

HMC MM Auto Limited ('the Company') is a public company domiciled in India and incorporated on November 11, 2013 under the provisions of the Companies Act applicable in India. The Company is engaged into design, develop, manufacture, distribute, assemble, buy and sell electronic fuel injection systems and related components and sub-assemblies. It is a joint venture between Hero MotoCorp Limited and Magneti Marelli S.p.A.

The financial statements are presented in INR and all values are rounded to the nearest thousands, except when otherwise indicated.

SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

These financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS), as specified under Section 133 of the Companies Act, 2013 ('the Act') read with relevant rules issued thereunder.

b. Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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:

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

The principal or the most advantageous market must be accessible by the Company.

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

A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the assets 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

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

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(based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

c. Property, plant and equipment

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Depreciation is calculated on cost of PPE less their estimated residual values over their estimated useful lives using straight line method and is recognised in Statement of Profit and Loss. The estimated useful lives of items of PPE for the current and comparative periods are as follows:

Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 which are as follows

Assets type	Useful life
Plant and Machinery	15 years
Furniture and Fittings	10 years
Electrical Installation	10 years
Tool,Dies and Jigs	8 years
Office Equipment	5 years
Computers and Hardware	3 years
Servers and network	6 years
Vehicle	10 years

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Subsequent expenditures related to an item of intangible asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to

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modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the statement of profit and loss.

Intangibles assets are amortised using the straight line method over their estimated useful lives as follows:

Technical know how	10 years
Computer software	5 years
Product development	5 years

The residual values, useful lives and method of depreciation of intangible assets are reviewed at each financial year and adjusted prospectively, if appropriate.

I. Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

d. Impairment of tangible and intangible fixed assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash- generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been

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determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government.

Sales tax/ value added tax (VAT), Goods and service tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the goods are dispatched and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on, time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

f. Inventories

Raw materials and components, stores and spares, loose tools, finished goods and work in progress are valued at cost or net realisable value, whichever is lower.

Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

The basis of determining cost for various categories of inventories is as follows:-

Stores and spares, loose tools, raw materials and components	Moving weighted average cost
Materials in transit	Actual cost
Work in progress and finished goods	Material cost plus appropriate share of labour, manufacturing overheads

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g. Foreign currency transactions and translations

The Company's financial statements are presented in INR, which is also Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Foreign-currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss.

Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

h. Employee Benefits

Defined contribution plan

Provident Fund and Employees' State Insurance ('ESI'): Contribution towards provident fund and ESI is made to the regulatory authorities, where the Company has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Company does not carry any legal or contractual obligation to pay further amounts. The Company's contributions to the schemes are expensed in Statement of Profit and Loss in the year in which related services are rendered by the employees.

Defined benefits

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses or curtailments and settlements);
- Net interest expense or income; and
- Re-measurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans.

Other long term employee benefits

Compensated absences, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet

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with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to statement profit and loss in subsequent periods.

Short term employee benefits

All employee benefits expected to be settled wholly within twelve months of rendering the service are classified as short-term employee benefits. When an employee has rendered service to the Company during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense unless another Ind AS requires or permits the inclusion of the benefits in the cost of an asset. Benefits such as salaries, wages and short-term compensated absences and bonus etc. are recognised in Statement of Profit and Loss in the period in which the employee renders the related service.

i. Leases

Determining whether an arrangement contains a lease

At inception of an arrangement it is determined that whether the arrangement is or contains a lease. At inception or reassessment of the arrangement that contains a lease the payments and other considerations required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that is impracticable to separate the payments reliably, then asset and a liability are recognized at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Assets subject to operating leases are included in property, plant and equipment. Rental income on an operating lease is recognized in the statement of profit and loss on a straight-line basis over the lease term, unless the payments by the lessee are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

j. Earnings/ (loss) per share

Basic earnings / (loss) per share are computed by dividing the profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares.

k. Taxation

Current Income-tax

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

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Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognised, subject to the consideration of prudence on timing differences, being the deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

I. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Company's obligation.

Contingent Liabilities

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either

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not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

m. Current versus Non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.
The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

n. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

o. Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):
• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
• the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI") (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):
• the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and

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• the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Interest income is recognised in profit or loss for FVTOCI debt instruments.
All other financial assets are subsequently measured at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.
Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

Impairment of financial assets

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated as at FVTPL.
Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights.

De recognition of financial assets

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

p. Financial liabilities and equity instruments

Classification as debt or equity

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

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' Line item.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

Offsetting of financial instruments

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

q. First-time adoption - mandatory exceptions, optional exemptions

Overall principle

The Company has prepared the opening balance sheet as per Ind AS as of April 1, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required under Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. However, this principle is subject to the following exceptions availed by the Company as detailed below:

Classification of debt instruments

The Company has determined the classification of debt instruments in terms of whether they meet the amortised cost criteria or the FVTOCI criteria based on the facts and circumstances that existed as of the transition date.

r. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies, the management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
The following are the areas of estimation uncertainty and critical judgements that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:-

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Recoverability of intangible asset

During the year, the Company assessed the recoverability of the intangible assets under development. Capitalisation of cost in intangible assets under development is based on management's judgement that technological and economic feasibility is confirmed and asset under development will generate economic benefits in future. This situation is closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

Defined benefit plans

The cost of the defined benefit plan and other post-employment benefits and the present value of such 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, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. As at March 31, 2018 management assessed that the useful lives represent the expected utility of the assets to the Company. Further, there is no significant change in the useful lives as compared to previous year.

s. Standards issued but not yet effective

(a) Ind AS 115, Revenue from Contracts with Customers

Ind AS 115, establishes a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces existing revenue recognition guidance, including Ind AS 18 Revenue, Ind AS 11 Construction Contracts and Guidance Note on Accounting for Real Estate Transactions. Ind AS 115 is effective for annual periods beginning on or after 1 April 2018 and will be applied accordingly.

The Company has completed an initial assessment of the potential impact of the adoption of Ind AS 115 on accounting policies followed in its financial statements. The impact of adoption of Ind AS 115 on the financial statements in the period of initial application is not material to the Company.

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

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from 01 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material to the Company.

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MC MM AUTO LIMITED
otes to the financial statements for the year ended 31 March 2018
Amount in Rupees thousands

ote 2 - Property, plant and equipment

Description of Assets	Plant and equipment	Office equipment	Furniture and fixtures	Computers and data processing equipment	Tools, dies, jigs & fixtures	Electrical installation	Vehicles	Total
I. Cost								
Balance as at 1 April 2017	1,39,901	1,052	1,640	6,438	11,788	7,481	89	**1,68,389**
Additions	5,757	173	385	535	2,946	27	65	**9,888**
Balance as at 31 March 2018	**1,45,658**	**1,225**	**2,025**	**6,973**	**14,734**	**7,508**	**154**	**1,78,277**
II. Accumulated depreciation								
Balance as at 1 April 2017	17,224	492	184	2,998	417	1,470	13	**22,798**
Depreciation expense for the year	9,019	226	179	1,160	1,626	711	12	**12,933**
Balance as at 31 March 2018	**26,243**	**718**	**363**	**4,158**	**2,043**	**2,181**	**25**	**35,731**
III. Net carrying amount (I-II)	**1,19,415**	**507**	**1,662**	**2,815**	**12,691**	**5,327**	**129**	**1,42,546**

Description of Assets	Plant and equipment	Office equipment	Furniture and fixtures	Computers and data processing equipment	Tools, dies, jigs & fixtures	Electrical installation	Vehicles	Total
Cost								
Balance as at 1 April 2016	1,31,343	921	770	5,553	6,260	7,424	74	**1,52,345**
Additions	18,659	131	870	885	11,742	57	15	**32,359**
Discards	10,101	-	-	-	6,214	-	-	**16,315**
Balance as at 31 March 2017	**1,39,901**	**1,052**	**1,640**	**6,438**	**11,788**	**7,481**	**89**	**1,68,389**
II. Accumulated depreciation								
Balance as at 1 April 2016	9,838	313	84	1,676	746	763	6	**13,426**
Depreciation expense for the year	8,786	180	100	1,322	1,135	706	7	**12,237**
Eliminated on discard of assets	1,400	-	-	-	1,464	-	-	**2,864**
Balance as at 31 March 2017	**17,224**	**493**	**184**	**2,998**	**417**	**1,469**	**13**	**22,799**
III. Net carrying amount (I-II)	**1,22,677**	**559**	**1,456**	**3,440**	**11,371**	**6,012**	**76**	**1,45,590**

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Note 3 - Intangible assets

Description of Assets	Technical knowhow	Product development	Computer software	Total
I. Cost				
Balance as at 1 April 2017	1,36,112	58,927	1,382	**1,96,421**
Additions	32,217	-	2,411	**34,628**
Balance as at 31 March 2018	**1,68,329**	**58,927**	**3,793**	**2,31,049**
II. Accumulated depreciation				
Balance as at 1 April 2017	19,018	9,977	684	**29,679**
Amortisation expense for the year	14,669	11,778	387	**26,834**
Balance as at 31 March 2018	**33,687**	**21,755**	**1,071**	**56,513**
III. Net carrying amount (I-II)	**1,34,642**	**37,172**	**2,722**	**1,74,536**

Description of Assets	Technical knowhow	Product development	Computer software	Total
I. Cost				
Balance as at 1 April 2016	99,982	-	1,382	**1,01,364**
Additions	36,130	58,927	-	**95,057**
Balance as at 31 March 2017	**1,36,112**	**58,927**	**1,382**	**1,96,422**
II. Accumulated depreciation				
Balance as at 1 April 2016	7,862	-	408	**8,270**
Amortisation expense for the year	11,156	9,977	276	**21,410**
Balance as at 31 March 2017	**19,018**	**9,977**	**684**	**29,680**
III. Net carrying amount (I-II)	**1,17,094**	**48,950**	**698**	**1,66,742**

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Note 4 - Loan- other financial assets

Particulars	As at 31 March 2018		As at 31 March 2017	
	Current	Non- Current	Current	Non- Current
At amortised cost				
Security deposits	276	1,617	120	1,606
	276	**1,617**	**120**	**1,606**

Refer Note 24 for disclosures related to credit risk, impairment under expected credit loss model and related financial instrument disclosures.

Note 5 - Other assets- current and non-Current

Particulars	As at 31 March 2018		As at 31 March 2017	
	Current	Non- Current	Current	Non- Current
(a) Capital advances	-	2,064	-	1,272
(b) Advances other than capital advances				
(i) Advances to employees	500	-	6	-
(ii) Balances with government authorities (other than income taxes)	33,175	7,041	15,800	18,140
(iii) Advance tax	-	2,118	-	2,118
(iv) Prepaid expenses	884	2	721	5
(v) Other advances	1,292	-	288	-
	35,851	**11,225**	**16,814**	**21,535**

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Note 6 - Inventories

Particulars	As at 31 March 2018	As at 31 March 2017
(a) Raw materials	28,666	21,245
(b) Work-in-progress	2,989	1,161
(c) Finished goods	8,118	2,955
(d) Stock-in-trade for trading	-	1,944
(e) Stores and spares	1,150	248
(f) Goods in transit		
- Raw materials	2,783	-
- Stores and spares	245	-
Total inventories (at lower of cost and net realisable value)	43,951	27,553

Note 7 - Investments

Particular	As at 31 March 2018		As at 31 March 2017	
	Quantity	Amounts	Quantity	Amounts
	Current		Current	
Designated as fair value through profit and loss (FVTPL)				
Unquoted investments (all fully paid)				
Investments in mutual funds				
ICICI prudential flexible income plan direct growth	-	-	66,571	20,808
Reliance mutual fund - direct growth plan	-	-	4,980	11,337
Total unquoted investments	-	-	71,551	32,145
Total investments carried at fair value	-	-	71,551	32,145

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Note 8 - Trade receivables

Particulars	As at 31 March 2018	As at 31 March 2017
	Current	Current
Trade receivables		
Unsecured, considered good	47,347	40,564
Total	**47,347**	**40,564**
Of the above, trade receivables from:		
- Related Parties (refer note 28)	27,806	34,910
- Others	19,541	5,654
Total	**47,347**	**40,564**

Note 9 - Cash and cash equivalents

Particulars	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
(a) Balances with banks	140	292
(b) Cash on hand	8	1
Total Cash and cash equivalents	**148**	**293**

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Note 10 - Equity share capital

Particulars	As at 31 March 2018		As at 31 March 2017	
	No. of shares	Amount in Rupees	No. of shares	Amount in Rupees
Authorised:				
Equity shares of Rs. 10 each	8,00,00,000	8,00,000	5,00,00,000	5,00,000
Issued, Subscribed and Fully Paid:				
Equity shares of Rs. 10 each	4,34,50,000	4,34,500	3,84,50,000	3,84,500
Total	4,34,50,000	4,34,500	3,84,50,000	3,84,500

(i) Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

Particulars		Opening Balance	Issue of equity	Closing Balance
(a) Equity Shares				
Year ended 31 March 2018				
	No. of Shares	3,84,50,000	50,00,000	4,34,50,000
	Amount	3,84,500	50,000	4,34,500
Year ended 31 March 2017				
	No. of Shares	2,14,50,000	1,70,00,000	3,84,50,000
	Amount	2,14,500	1,70,000	3,84,500

(ii) Rights, preferences and restrictions attached to equity shares
The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholdings.

(iii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

Particulars	No. of Shares
	Equity Shares with Voting rights
As at 31 March 2018	
Hero MotoCorp Limited, the Holding Company	2,60,69,993
As at 31 March 2017	
Hero MotoCorp Limited, the Holding Company	2,30,69,993

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March 2018		As at 31 March 2017	
	Number of shares held	Percentage holding in that class of shares	Number of shares held	Percentage holding in that class of shares
Equity shares with voting rights				
Hero MotoCorp Limited	2,60,69,993	60	2,30,69,993	60
Magneti Marelli S.p.A	1,73,80,001	40	1,53,80,001	40

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Note 11 - Borrowings - non-current

Particulars	As at 31 March 2018	As at 31 March 2017
	Amount	Amount
Non current		
Unsecured Borrowings - at amortised Cost		
Term loans		
From banks *	50,555	79,444
Total	**50,555**	**79,444**

* Repayable in 18 quarterly installments starting with effect from 07 September, 2016, last installment due on 07 December, 2020. Rate of Interest - I-MCLR one year + 55 basis points (Previous year:Bank base rate + 50 basis points). The Company has not defaulted in repayment of term loan and interest thereon. (Also refer note 15)

Note 12 - Provisions

Particulars	As at 31 March 2018		As at 31 March 2017	
	Current	Non- Current	Current	Non- Current
(a) Provision for employee benefits				
Compensated absences	825	2,114	694	1,372
Gratuity	2,116	2,468	1,673	1,833
(b) Other provisions				
Warranty	2,125	-	854	-
Total provisions	5,066	4,582	3,221	3,205

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Note 13 - Current borrowings

Particulars	As at 31 March 2018	As at 31 March 2017
Unsecured borrowings		
Loans repayable on demand		
From banks	1,87,277	1,16,832
Total unsecured borrowings	**1,87,277**	**1,16,832**

Rate of Interest - range I-MCLR six month + 60 basis points to I-MCLR six month +105 basis points or Bank base rate + 50 basis points (Previous year:range I base rate + 75 basis points or Bank base rate + 50 basis points).

Note 14 - Trade payables

Particulars	As at 31 March 2018	As at 31 March 2017
	Current	Current
Trade payable - Micro and small enterprises	-	-
Trade payable - Other than micro and small enterprises	51,643	43,160
Total trade payables	**51,643**	**43,160**

Trade Payables represent the amount due on account of goods purchased or services received in the normal course of business. Company's credit risk management processes are explained in Note 24.
According to the records available with the Company, dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 during the year is Rs. Nil (previous year Rs. Nil). Further, no interest has been paid or was payable to such parties under the said Act during the year. Dues to Micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Company. This information has been relied upon by the auditors.

Note 15 - Other financial liabilities- current

Particulars	As at 31 March 2018	As at 31 March 2017
Other financial liabilities measured at amortised cost		
Current		
(a) Current maturities of long-term debt *	28,889	28,889
(b) Interest accrued but not due on borrowings	723	547
(c) Other liabilities		
(1) Creditors for capital goods/services	3,455	2,894
(2) Security deposits	350	300
(3) Employee benefits payable	7,499	7,385
Total other financial liabilities	**40,916**	**40,015**
* Also refer note 11		

Note 16 - Other current liabilities

Particulars	As at 31 March 2018	As at 31 March 2017
Statutory dues		
- Withholding tax and others	3,632	4,896
- Employee recoveries and employer contributions	554	494
Total other current liabilities	**4,186**	**5,390**

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Note 17 - Revenue from operations

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Revenue from sale of products (including excise duty)		
Manufactured products	2,66,552	1,91,970
Sale of traded goods	79,129	25,312
(b) Other operating revenue		-
Scrap sales	62	14
Total revenue from operations	**3,45,743**	**2,17,296**

Note 18 - Other income

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Net gain on sale of investments	598	1,918
(b) Foreign exchange gain(net)	-	3,747
(c) Profit on discard of assets	-	2,984
(d) Net gain arising on financial assets mandatorily measured at FVTPL	-	1,595
(e) Miscellaneous income	10	-
Total other income	**608**	**10,244**

Note 19(a) - Cost of materials consumed

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening stock	21,245	10,701
Add: Purchases	1,92,976	1,26,495
	2,14,221	1,37,196
Less: Closing stock	28,666	21,245
Cost of materials consumed	**1,85,555**	**1,15,951**

Note 19(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Inventories at the end of the year:		
Finished goods	8,118	2,955
Work-in-progress	2,989	1,161
Stock-in-trade	-	1,944
Goods In Transit		
- Raw materials	2,783	-
	13,890	**6,060**
Inventories at the beginning of the year:		
Finished goods	2,955	-
Work-in-progress	1,161	1,829
Stock-in-trade	1,944	-
	6,060	**1,829**
Net (increase) / decrease	**(7,830)**	**(4,231)**

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Note 20 - Employee benefits expense

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Salaries and wages, including bonus	62,342	68,697
(b) Contribution to provident and other funds	2,897	2,772
(c) Gratuity expenses	834	857
(d) Staff welfare expenses	1,412	1,352
Total employee benefit expense	**67,485**	**73,678**

Note 21 - Finance cost

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Interest expenses	18,859	19,303
Total finance costs	**18,859**	**19,303**

Note 22 - Other expenses

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Stores consumed	266	546
(b) Power and Fuel	2,422	2,176
(c) Rent including lease rentals	7,972	9,251
(d) Rates and taxes	2,791	113
(e) Insurance	1,038	758
(f) Repairs and maintenance		
- Buildings	-	631
- Machinery	888	634
- Others	851	725
(g) Freight outward	743	682
(h) Travelling and conveyance	4,667	6,275
(i) Excise duty on sale of products		
(j) Net loss on foreign currency transactions (net)	1,696	-
(k) Auditors remuneration and out-of-pocket expenses		
(i) As auditors	1,000	1,000
(ii) For reimbursement of expenses	37	36
(l) Legal and professional fees	6,394	5,840
(m) Royalty	3,177	2,282
(n) Warranty	1,271	855
(o) Directors sitting fees	632	474
(p) Recruitement expenses	427	149
(q) Miscellaneous expenses	4,095	4,972
Total other expenses	**40,367**	**37,399**

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Note 23 - Loss per equity share

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Basic earnings/(loss) per share	**(1.98)**	**(2.79)**
Diluted earnings/(loss) per share	**(1.98)**	**(2.79)**

Basic earnings/(loss) per share

The earnings and weighted average number of equity shares used in the calculation of basic earnings per share are as follows:

Amount in Rupees thousands

	For the year ended 31 March 2018	For the year ended 31 March 2017
(Loss) for the year attributable to owners of the Company	(81,660)	(94,860)
(Loss) for the year used in the calculation of basic earnings per share	(81,660)	(94,860)
Weighted average number of equity shares (in thousands)	41,217	33,976
(Loss) per share from continuing operations - Basic	(1.98)	(2.79)

Diluted earnings per share

Amount in Rupees thousands

	For the year ended 31 March 2018	For the year ended 31 March 2017
(Loss) used in the calculation of diluted earnings per share	(81,660)	(94,860)

Weighted average no of shares (basic & diluted) in thousands

	For the year ended 31 March 2018	For the year ended 31 March 2017
Opening Balance	38,450	21,450
Effect of fresh issue of shares	2,767	12,526
Weighted average no of shares	**41,217**	**33,976**

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of equity shares used in the calculation of basic earnings/(loss) per share as follows:

	For the year ended 31 March 2018	For the year ended 31 March 2017
Weighted average number of equity shares used in the calculation of Basic EPS (in thousands)	41,217	33,976
Add: Effect of potential equity shares	-	-
Weighted average number of equity shares used in the calculation of Diluted EPS (in thousands)	41,217	33,976

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Note 24 - Financial Instruments

Capital management

The Company's capital management objectives are:
- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary. There is no change in the overall capital risk management strategy of the Company compared to last year.

The Company uses debt ratio as a capital management index and calculates the ratio as total borrowings (including interest accrued) divided by total equity.

The Company is not subject to externally enforced capital regulation.

Debt-to-equity ratio as of 31 March 2018 and 31 March 2017 is as follows:

	As at 31 March 2018	As at 31 March 2017
Debt (A)	2,67,444	2,25,712
Equity (B)	1,31,793	1,62,981
Debt Ratio (A / B)	2.03	1.38

Categories of financial assets and financial liabilities

Particulars	As at 31 March 2018		As at 31 March 2017	
	Amortised Costs	FVTPL	Amortised Costs	FVTPL
Non-current Assets				
Security deposits	1,617	-	1,606	-
Current assets				
Investments	-	-	-	32,145
Trade receivables	47,347	-	40,564	-
Cash and cash equivalents	148	-	293	-
Security deposits	276	-	120	-
Non-current liabilities				
Borrowings	50,555	-	79,444	-
Current liabilities				
Borrowings	1,87,277	-	1,16,832	-
Trade payables	51,643	-	43,160	-
Other financial liabilities				
Current maturities of long-term debt	28,889	-	28,889	-
Interest accrued but not due on long term borrowings	723	-	547	-
Creditors for capital supplies/services	3,455	-	2,894	-
Retention money	-	-	-	-
Security deposits	350	-	300	-
Employee benefits payable	7,499	-	7,385	-

Financial Risk Management Framework

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. In order to manage the aforementioned risks, the Company operates a risk management policy and a program that performs close monitoring of and responding to each risk factors.

CREDIT RISK

Credit risk management

Credit risk arises when a counterparty defaults on its contractual obligations to pay resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collatarel , where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

Trade receivables primarily consists of Hero MotoCorp limited, which is holding company and TVS Motor Company Limited. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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Note 24 - Financial Instruments continue...

LIQUIDITY RISK

(i) Liquidity risk management

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

(ii) Maturities of financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The amount disclosed in the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
	INR	INR	INR	INR
Non-derivative financial liabilities				
31 March 2018				
Non-interest bearing	63,670	-	-	-
Variable interest rate instruments	1,87,277	-	-	-
Fixed interest rate instruments	28,889	50,555	-	-
Total	**2,79,836**	**50,555**	**-**	**-**
31 March 2017				
Non-interest bearing	54,286	-	-	-
Variable interest rate instruments	1,16,832	-	-	-
Fixed interest rate instruments	28,889	57,777	21,667	-
Total	**2,00,007**	**57,777**	**21,667**	**-**

(iii) Financing arrangements

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

Amount in Rupees thousands

Particulars	As at 31 March 2018	As at 31 March 2017
Secured Bank Overdraft/CC/ WCDL facility		
- Expiring within one year	87,723	-
- Expiring beyond one year	-	1,58,163
Letter of Credit		
- Expiring within one year	75,000	-
- Expiring beyond one year	-	75,000
	1,62,723	**2,33,163**

(iv) Maturities of financial assets

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Particulars	Less than 1 Year	1-3 Years	3 Years to 5 Years	5 years and above
	INR	INR	INR	INR
Non-derivative financial assets				
31 March 2018				
Non-interest bearing	47,571	1,130	-	288
Fixed interest rate instruments	200	-	-	-
Total	**47,771**	**1,130**	**-**	**288**
31 March 2017				
Non-interest bearing	73,122	1,130	-	477
Total	**73,122**	**1,130**	**-**	**477**

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Note 24 - Financial Instruments continue...

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no significant changes to the Company's exposure to market risk or the methods in which they are managed or measured.

Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company's exposure to currency risk relates primarily to the Company's operating activities when transactions are denominated in a different currency from the Company's functional currency.

The carrying amounts of the Company's unhedged foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Particulars	Currency	31-Mar-18	31-Mar-17
Trade Payables	USD	23,929	19,350
	EUR	3,89,614	2,96,726
	RMB	-	5,08,477

Foreign Currency Sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and RMB exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Currency	Change in rate	Effect on profit/ (loss) before tax
31 March 2018	USD	+10%	(156)
	USD	-10%	156
	EUR	+10%	(3,141)
	EUR	-10%	3,141
	RMB	+10%	-
	RMB	-10%	-
31 March 2017	USD	+10%	(125)
	USD	-10%	125
	EUR	+10%	(2,055)
	EUR	-10%	2,055
	RMB	+10%	(479)
	RMB	-10%	479

Profit is less sensitive to movements in the INR/USD rates in 2018 than 2017 because of the decreased USD denominated payables.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

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 long-term debt obligations with floating interest rates.

Interest rate sensitivity

The sensitivity analyses below have been determined based on exposure to interest rate at the end of reporting period.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Currency	Increase / decrease in basis points	Effect on profit/ (loss) before tax
31-Mar-17	INR	+100	(653)
	INR	-100	653
31-Mar-16	INR	+100	(938)
	INR	-100	938

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

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Note 25 - Fair value measurement

Fair valuation techiques and inputs used - recurring items

Financial assets/ financial liabilities measured at Fair value	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31-Mar-18	31-Mar-17		
Financial assets				
Investments				
Mutual fund	-	32,145	**Level 1**	**Published NAV value by MF Houses**
Total financial assets	**-**	**32,145**		

Fair value of financial assets and financial liabilities that are not measured at fair value

Particulars	As at 31 March 2018		As at 31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets carried at Amortised Cost				
-Security deposits	1,893	1,893	1,726	1,726
-Trade receivables	47,347	47,347	40,564	40,564
-Balances with banks	140	140	292	292
-Cash on hand	8	8	1	1
Total	**49,388**	**49,388**	**42,583**	**42,583**
Financial liabilities				
Financial liabilities held at amortised cost				
- trade and other payables	51,643	51,643	43,160	43,160
- Current maturities of long-term debt	28,889	28,889	28,889	28,889
- Interest accrued but not due on long term borrowings	723	723	547	547
- Creditors for capital supplies/services	3,455	3,455	2,894	2,894
- Security deposits	350	350	300	300
- Employee benefits payable	7,499	7,499	7,385	7,385
Total	**92,559**	**92,559**	**83,175**	**83,175**

The Management consider the nature of financial assets/ liabilities recognised in the financial statements approximating their fair value.

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Note 26 - Leases

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Details of leasing arrangements		
Operating Lease		
The Company has entered into operating lease arrangements for certain facilities and office premises. The leases are non-cancellable and are for a period of one to five years and may be renewed for a further period based on mutual agreement of the parties. The lease agreements provide for an increase in the lease payments by 5% every year.		
Future non-cancellable minimum lease commitments		
not later than one year	-	2,036
later than one year and not later than five years	-	-
later than five years	-	-
Total	**-**	**2,036**
Expenses recognised in the Statement of Profit and Loss		
Minimum lease payments	7,972	9,251

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Note 27 - Employee benefits

(a) Defined Contribution Plan

The Company's contribution to Provident Fund Rs.189 (Previous year Rs. 304) has been recognised in product development expense and Rs. 2,797 (Previous year Rs.2,722) has been recognised in the Statement of Profit or Loss under the head Employee Benefits Expense in Note 20.

(b) Defined Benefit Plans:

Gratuity

The Company operates a gratuity plan covering qualifying employees. The benefit payable is the greater of the amount calculated as per the Payment of Gratuity Act, 1972 or the Company scheme applicable to the employee. The benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting.

Through its defined benefit plans the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with references to government bond yields; if plan assets under perform compared to the government bonds discount rate, this will create or increase a deficit. The defined benefit plans hold a significant proportion of equity type assets, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields

A decrease in government bond yields will increase plan liabilities, although this is expected to be partially offset by an increase in the value of the plans' bond holdings and interest rate hedging instruments.

Inflation risk

Some of the Company's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant in the Company's defined benefit plans, where inflationary increases result in higher sensitivity to changes in life expectancy.

The significant actuarial assumptions used for the purposes of the actuarial valuations were as follows:

Significant Actuarial Assumptions	For the year ended 31 March 2018	For the year ended 31 March 2017
Discount rate(s)	7.71	7.54
Expected rate(s) of salary increase	5.50%	5.50%
Average Longevity	58 Years	58 Years

Defined benefit plans – as on 31st March, 2018

Particulars	Unfunded Plan	
	Gratuity	
	For the year ended 31 March 2018	For the year ended 31 March 2017
Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:		
Current Service Cost	569	687
Net interest expense	264	171
Components of defined benefit costs reconised in profit or loss	833	858
Remeasurement on the net defined benefit liability		
Actuarial (gains) and loss arising form changes in financial assumptions	(45)	88
Actuarial (gains) and loss arising form experience adjustments	(427)	425
Components of defined benefit costs recognised in other comprehensive income	(472)	513
Total	361	1,371

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Note 27 - Employee benefits continue...

Particulars	Unfunded Plan	
	Gratuity	
	For the year ended 31 March 2018	For the year ended 31 March 2017
I. Net Asset/(Liability) recognised in the Balance Sheet as at 31 March		
1. Present value of defined benefit obligation as at 31st March	4,584	3,506
2. Current portion of the above	2,116	1,673
3. Non current portion of the above	2,468	1,833
II. Change in the obligation during the year ended 31 March		
1. Present value of defined benefit obligation at the beginning of the year	3,506	2,136
2. Acquisition adjustment	716	-
3. Expenses Recognised in Profit and Loss Account		
- Current Service Cost	569	687
- Interest Expense (Income)	264	171
4. Recognised in Other Comprehensive Income		
Remeasurement (gains) / losses		
- Actuarial (Gain) Loss arising from:		
ii. Financial Assumptions	(45)	88
iii. Experience Adjustments	(427)	425
5. Present value of defined benefit obligation at the end of the year	**4,583**	**3,507**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the year ended 31 March 2018:

Principal assumption	Year	Changes in assumption	Impact on defined benefit obligation	
			Increase in assumption	Decrease in assumption
Discount rate	2018	0.50%	(129)	140
	2017	0.50%	(100)	108
Salary growth rate	2018	0.50%	143	(132)
	2017	0.50%	109	(102)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Balance sheet.
The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to previous ye

VIII. Experience Adjustments :	Year Ended	
	2018	2017
	Gratuity	
Experience adjustment on plan liabilities [(Gain)/Loss]	(427)	425

The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
Since the liability is not funded, therefore information with regard to plan assets has not been furnished.

The current service cost and the net interest expense pertaining to the gratuity expense for the year are included in the employee benefits expense in statement of profit and loss under Note 20.

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Note 28 - Related Party Transactions

Name of the parent Company	Hero Motocorp Limited
Party in respect of which the Company is an associate	Magneti Marelli S.p.A
Subsidiary of party of which Company is an associate	Magnetti Marelli UM Electronics Systems Pvt. Ltd. Magnetti Marelli India Pvt. Ltd. Magnetti Marelli (China) Co. Ltd.

Details of transaction between the Company and its related parties are disclosed below:

Particulars	For the year ended	Parent Company	Magneti Marelli S.p.A	Magnetti Marelli UM Electronics Systems Pvt. Ltd.	Magnetti Marelli India Pvt. Ltd.	Magnetti Marelli (China) Co. Ltd.
Nature of transactions with Related Parties						
Sale of goods*	31-Mar-18	3,14,806	20	-	-	-
	31-Mar-17	2,02,506	-	-	-	16
Purchase of goods	31-Mar-18	-	1,08,095	60,851	-	79,115
	31-Mar-17	-	45,297	43,038	-	46,838
Purchase of property and other assets	31-Mar-18	-	5,707	-	-	16
	31-Mar-17	-	1,886	-	-	-
Compensation for assets discared #	31-Mar-18	-	-	-	-	-
	31-Mar-17	18,900	-	-	-	-
Receiving of services/ Expense Reimbursement	31-Mar-18	-	4,970	-	4,941	40
	31-Mar-17	-	7,201	-	1,326	-
Royalty	31-Mar-18	-	3,177	-	-	-
	31-Mar-17	-	2,260	-	-	-
Equity contribution to the Company	31-Mar-18	30,000	20,000	-	-	-
	31-Mar-17	1,02,000	68,000	-	-	-
Other transactions : Technical Know How	31-Mar-18	-	32,217	-	-	-
	31-Mar-17	-	34,085	-	-	-

Nature of Balances with Related Parties	Balance as on	Parent Company	Magneti Marelli S.p.A	Magnetti Marelli UM Electronics Systems Pvt. Ltd.	Magnetti Marelli India Pvt. Ltd.	Magnetti Marelli (China) Co. Ltd.
Trade payables	31-Mar-18	-	33,722	3,886	397	-
	31-Mar-17	-	16,450	5,256	-	6,802
Trade Receivables	31-Mar-18	27,784	22	-	-	-
	31-Mar-17	34,910	-	-	-	-
Other Receivables	31-Mar-18	-	-	-	-	330
	31-Mar-17	-	-	-	-	-

* including sales tax, excise duty or GST

Including service tax

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Note 29 - Specified Bank Note

As per the notification of Ministry of Corporate Affairs (MCA) dated March 30, 2017, the details in respect of specified bank notes (SBN) is

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	41.50	0.33	41.83
(+) Permitted receipts	-	-	-
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	41.50	-	41.50
Closing cash in hand as on December 30, 2016	-	**0.33**	**0.33**

Note 30 - Expenditure on research and development

Revenue expenditure

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries and allowances	13,120	20,258
Power and fuel	1,566	1,481
Staff welfare expenses	128	36
Travelling expenses	866	382
Material consumed	-	679
Other expense	2,590	2,476
Total	**18,270**	**25,312**

Capital expenditure

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Tangibles		
Computers and data processing equipment	117	200
Office equipments	-	10
Plant and equipments	3,217	118
Vehicles	65	15
Intangibles		
Computer software	2,041	-
Product under development	9,657	58,927
Total	**15,097**	**59,270**

Note 31 - Segment information

The operating segment of the Company has been identified in a manner consistent with the internal reporting provided to the Management, based on which there is only one operating segment in which the Company operates i.e."Manufacturing & Trading of automobile parts" within one geographical segment i.e. India.

Revenue from major products and services
The following is an analysis of the Company's revenue from continuing operations from its major products:

	Year Ended 31 March 2018	Year Ended 31 March 2017
Throttle body assembly	1,09,275	73,838
Fuel pump	1,10,918	73,744
Injector assembly	27,399	22,880
ECU unit (MBC ECU)	79,129	23,227
Total	**3,26,721**	**1,93,689**

Revenue from major customer
The following is an analysis of the Company's revenue from continuing operations from its major customer from its major products:

	Year Ended 31 March 2018	Year Ended 31 March 2017
Hero MotoCorp Ltd	2,47,592	1,70,462
TVS Motors Company Ltd	79,129	23,227
Total	**3,26,721**	**1,93,689**

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Note 32 - Contingent liabilities and commitments (To the extent not provided for)

Particulars	As at 31 March 2018	As at 31 March 2017
Contingent liabilities		
Income tax matter	1,794	-
Custom duty matter (Not asertainable)		
Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid of Rs. 2064 & Rs. 1272 for 2017-18 & 2016-17 respectively)	8,263	30,679

Note 33 - Deferred tax

The Company has carried out its deferred tax computation in accordance with Ind AS 12 'Income Taxes' notified under the Companies (Indian Accounting Standards) Rules, 2015.

Significant coponents & classification of deferred tax assets and liabilities are as follows:

Particulars	As at 31 March 2018	As at 31 March 2017
Deferred tax liabilities		
Related to depreciation of fixed assets	30,956	28,768
Related to fair value of investment	-	1,491
Total deferred tax liability (a)	**30,956**	**30,259**
Deferred tax assets		
Provision for warranty	591	264
Provision for gratuity	1,275	1,083
Provision for leave encashment	818	638
Unabsorbed Depreciation	56,618	44,981
Carry forward losses	56,150	53,189
Total deferred tax assets (b)	**115,452**	**100,155**
Net deferred tax assets/ (liabilities) (b-a)	**84,496**	**69,896**

Having regard to the accumulated losses, the Company has not recognised the net deferred tax assets in the absence of reasonable certainty at this stage that there will be sufficient future taxable income available to realize such assets.

(b) Reconciliation of effective tax rate

Particulars	As at 31 March 2018		As at 31 March 2017	
Profit before tax		(81,660)		(94,860)
Income tax expense calculated at domestic tax rates applicable to profits	27.82%	(22,718)	30.90%	(29,312)
Tax effects of:				
Effect of tax incentives and concessions (research and development and other allowances)	3.11%	(2,541)	-	-
Permanent difference	-0.92%	754	-	-
Carry forward losses lapsed during the year	-4.21%	3,438	-	-
Change in tax rate	-8.53%	6,967	-	-
Others	0.61%	(500)	0.81%	(765)
Deferred tax asset not recognised in statement of profit and loss		**(14,600)**		**(30,077)**

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(c) Tax losses

	31 March 2018	Expiry date	31 March 2017	Expiry date
Loss from business	201,832	31 March 2019 to 31 March 2027	172,134	31 March 2018 to 31 March 2026
Unabsorbed depreciation	203,518	Carried forward indefinitely	145,568	Carried forward indefinitely
Total	**405,350**		**317,702**	
Potential tax benefit	**125,253**		**98,170**	

Note 34

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

Note 35

There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Note 36

Wherever required by Ind AS, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jiten Chopra
Partner
Membership No: 092894
Place : Gurugram
Date : 26 April 2018

For and on behalf of the Board of Directors of HMC MM Auto Limited

Niranjan Kumar Gupta
Director
DIN- 07806792

Saju Mookken
Director
DIN- 01644940

HMC MM AUTO LTD NEW DELHI

Arjun Dewan
Chief Financial Officer

Manish Kumar Sharma
Company Secretary

Place : NEW DELHI
Date : 26 April 2018