

INDEPENDENT AUDITOR'S REPORT

To the Members of **Thales Reliance Defence Systems Limited**

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of **Thales Reliance Defence Systems Limited** ("the Company"), which comprise the balance sheet as at March 31, 2023, and the statement of Profit and Loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, and its profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, total 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 specified 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 of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
 - e. On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 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 the requirements of Section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 of the Act.

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

- iv. (a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (b) The management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.
- v. The final dividend declared and paid during the year by the Company is in compliance with Section 123 of the Act.
- vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014, as amended is applicable for the Company only w.e.f. 1 April 2023, therefore, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014, as amended, is not applicable.

For **S. N. Dhawan & CO LLP**
Chartered Accountants
Firm Registration No.: 000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 23509590BGWRYN2852

Place: Gurugram
Date: April 28, 2023

Annexure A to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of the Independent Auditors' Report of even date to the members of Thales Reliance Defence Systems Limited on the financial statements as of and for the year ended March 31, 2023)

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of right-of-use assets.

(B) The Company does not have any intangible assets. Accordingly, the provisions of clause 3(i) (a) (B) of the order are not applicable.
- (b) The Company has a program of physical verification of Property, Plant and Equipment, and right-of-use assets by which Property, Plant and Equipment, and right-of-use assets are verified on annual basis. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As per the plan, the Property, Plant and Equipment, and right-of-use assets have been physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and based on our examination of the registered lease agreement and other relevant records, the leasehold land title is in the name of the Company.
- (d) According to the information and explanation given to us and our examination of books of account, the Company has not revalued any of its property, plant and equipment including Right of Use assets during the year. The Company does not have any intangible assets. Accordingly, the provisions of clause 3(i) (d) of the order are not applicable.
- (e) According to the information and explanation given to us, there are no proceedings that have been initiated during the year or are pending against the Company as at March 31, 2023 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder. Accordingly, the provisions of clause 3(i) (e) of the order are not applicable.
- (ii) (a) The inventories were physically verified during the year by the management at reasonable intervals. In our opinion and based on information and explanations given to us, the coverage and procedure of such verification by the management is appropriate having regard to the size of the Company and the nature of its operations. No discrepancies of 10% or more in the aggregate for each class of inventories were noticed on such physical verification of inventories, when compared with the books of account.

(b) In our opinion and according to the information and explanations given to us, during the year, the Company has not been sanctioned any working capital facility from banks or financial institutions, accordingly, the provisions of clause 3(ii) (b) of the order are not applicable.
- (iii) According to the information and explanation given to us, the Company has not made any investments in, provided any guarantee or securities, and granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year, Accordingly, the provisions of clause 3(iii) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Sections 185 and 186 of the Act are applicable. Accordingly, the provisions of clause 3(iv) of the order are not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits during the year, had no unclaimed deposits at the beginning of the year and there are no amounts which are deemed to be deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

- (vi) According to the information and explanations given to us, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii) (a) According to the information and explanation given to us and based on our examination of books of account, undisputed statutory dues, including Goods and Service tax, Provident Fund, Income-tax, duty of customs, cess and other material statutory dues applicable to the Company have been regularly deposited by it with the appropriate authorities. We have been informed that the provisions of the Employees' State Insurance Act, 1948 are not applicable to the Company.
- (b) According to the information and explanation given to us and based on our examination of books of account, there were no undisputed amounts payable in respect of Goods and Service tax, Provident Fund, Income-tax, duty of Custom, cess and other material statutory dues in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us and based on our examination of books of account, there are no statutory dues referred in sub-clause (a) above that have not been deposited with the appropriate authorities on account of disputes as on March 31, 2023.
- (viii) In our opinion and according to the information and explanations given to us, there are no such transactions which were not recorded in the books of account earlier and have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961). Accordingly, the provisions of clause 3(viii) of the Order are not applicable.
- (ix) In our opinion and according to the information and explanations given to us, the Company has no loans or other borrowings or interest payable to any lender during the year. Accordingly, the provisions of clause 3(ix) of the order are not applicable.
- (x) (a) In our opinion and according to the information and explanations given to us, the Company did not raise money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the provisions of clause 3(x)(a) of the order are not applicable.
- (b) During the year the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally). Accordingly, the provisions of clause 3(x)(b) of the order are not applicable.
- (xi) (a) To the best of our knowledge and according to the information and explanation given to us, no fraud by the Company or on the Company has been noticed or reported during the year.
- (b) In our opinion and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the period covered by our audit. Accordingly, the provisions of clause 3(xi)(b) of the Order are not applicable.
- (c) As represented to us by the management, there were no whistle blower complaints received by the Company during the year.
- (xii) The Company is not a Nidhi Company. Accordingly, the provisions of clause 3(xii) of the order are not applicable.
- (xiii) In our opinion and according to the information and explanation given to us, the Company is in compliance with section 188 of the Companies Act for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards. The provisions of section 177 of the Companies Act, 2013 are not applicable to the Company.

- (xiv) In our opinion and based on our examination, the Company does not have an internal audit system and is not required to have an internal audit system as per the provisions of the Companies Act 2013.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act. Accordingly, provisions of clause 3(xv) of the order are not applicable.
- (xvi) (a) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of clause 3(xvi)(a), (b) and (c) of the order are not applicable.
- (b) In our opinion and according to the information and explanations given to us, the Company has not conducted any Non- Banking Financial or Housing Finance activities for which they require a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934. Accordingly, the provision of clause 3(xvi)(d) of the order are not applicable.
- (xvii) The Company has not incurred cash losses in the financial year and in the immediately preceding financial year. Accordingly, provisions of clause 3(xvii) of the order are not applicable.
- (xviii) There has been no resignation of the statutory auditors of the Company during the year. Accordingly, the provisions of clause 3(xviii) of the order are not applicable.
- (xix) According to the information and explanation given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements and our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable for the year.
- (b) There are no unspent amounts towards Corporate Social Responsibility (CSR) on ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable for the year.

(xxi) According to the information and explanation given to us, the Company does not have subsidiaries, associates or joint venture. Accordingly, the provisions of clause 3(xxii) of the order are not applicable.

For **S. N. Dhawan & CO LLP**
Chartered Accountants
Firm Registration No.: 000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 23509590BGWRYN2852

Place: Gurugram
Date: April 28, 2023

Annexure B to the Independent Auditors' Report of even date to the members of Thales Reliance Defence Systems Limited, on the financial statements for the year ended March 31, 2023.

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory requirement Section of our report of even date)

Independent Auditors' report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. We have audited the internal financial controls with reference to financial statements of Thales Reliance Defence Systems Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under section 143(10) of the Act, 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 with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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 with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal financial control with reference to financial statements 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 **S. N. Dhawan & CO LLP**
Chartered Accountants
Firm Registration No.: 000050N/N500045

Pankaj Walia
Partner
Membership No.: 509590
UDIN No.: 23509590BGWRYN2852

Place: Gurugram
Date: April 28, 2023

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
BALANCE SHEET

(All amounts in lakhs unless stated otherwise)

	Note no.	As at March 31, 2023	As at March 31, 2022
Assets			
1 Non-current assets			
a. Property, plant and equipment	3	3,080	3,187
b. Right-of-use asset	4	390	405
c. Financial assets			
i. Other financial assets	5	13	13
d. Income tax assets	7	46	12
e. Other non-current assets	8	254	510
Total non-current assets		3,783	4,127
2 Current assets			
a. Inventories	9	171	907
b. Financial assets			
i. Trade receivables	10	1,014	801
ii. Cash and cash equivalents	11	7,695	6,737
iii. Other financial assets	5	1	-
c. Other current assets	8	4,427	2,178
Total current assets		13,308	10,623
Total assets		17,091	14,750
Equity and liabilities			
1 Equity			
a. Equity share capital	12	2,857	2,857
b. Other equity	13	3,707	2,681
Total equity		6,564	5,538
2 Liabilities			
Non-current liabilities			
a. Provisions	14	67	49
b. Other non-current liabilities	15	368	707
c. Deferred tax liabilities (net)	6	247	224
Total non-current liabilities		682	980
Current liabilities			
a. Financial liabilities			
i. Trade payables	16		
- total outstanding dues of micro enterprises and small enterprises		9	2
- total outstanding dues of creditor other than micro enterprises and small enterprises		1,386	1,836
ii. Other financial liabilities	17	5	5
b. Provisions	14	3	2
c. Current tax liabilities (net)	18	-	14
d. Other current liabilities	19	8,442	6,373
Total current liabilities		9,845	8,232
Total liabilities		10,527	9,212
Total equity and liabilities		17,091	14,750

See accompanying notes to the financial statements
In terms of our report of even date attached

For S. N. Dhawan & CO LLP
Chartered Accountants
Firm Registration No.: 000050N/N500045

For on behalf of Board of Directors of
Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No.509590

Rajesh K Dhingra
Director
DIN:03612092

Alok Malik Anand
Chief Executive Officer

Pankaj Kriplani
Chief Financial Officer

Dheeraj Sachdeva
Company Secretary

Place: Gurugram
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF PROFIT AND LOSS

(All amounts in lakhs unless stated otherwise)

	Note no.	For the year ended March 31, 2023	For the year ended March 31, 2022
I Income			
Revenue from operations	20	11,188	10,660
Other income	21	491	2
Total income		11,679	10,662
II Expenses			
Cost of material consumed		3,623	2,457
Cost of services		3,395	3,381
Changes in inventories of service work-in-progress and finished goods	22	269	876
Employee benefits expense	23	351	292
Depreciation and amortisation expense	24	236	233
Other expenses	25	560	710
Total expenses		8,434	7,949
III Profit before tax		3,245	2,713
IV Tax expense			
Current tax	26	567	474
Deferred tax	6	23	333
		590	807
V Profit after tax		2,655	1,906
VI Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
i. Remeasurements of net defined benefit plans:			
-Gratuity	30(b)	1	-
ii. Income tax relating to items that will not be reclassified to profit or loss**	6	-	-
Other comprehensive income/(loss), net of taxes		1	-
VII Total comprehensive income for the period (V +VI)		2,656	1,906
VIII Earnings per equity share			
Equity shares of face value Rs. 100 each			
Basic and diluted (Rs. Per share)	27	92.92	66.69

See accompanying notes to the financial statements
In terms of our report of even date attached

For S. N. Dhawan & CO LLP
Chartered Accountants
Firm Registration No.: 000050N/N500045

For on behalf of Board of Directors of
Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No.509590

Rajesh K Dhingra
Director
DIN:03612092

Alok Malik Anand
Chief Executive Officer

Pankaj Kriplani
Chief Financial Officer

Dheeraj Sachdeva
Company Secretary

Place: Gurugram
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CASH FLOWS

(All amounts in lakhs unless stated otherwise)

	<u>For the year ended March 31, 2023</u>	<u>For the year ended March 31, 2022</u>
A. Cash flow from operating activities		
Profit after tax	2,655	1,906
Adjustments for:		
Income tax expense recognised in profit or loss	590	807
Depreciation and amortisation expense	236	233
Unrealised (gain)/loss on exchange fluctuation (net)	(2)	(4)
Cash generated from operations before working capital changes	<u>3,479</u>	<u>2,942</u>
Movement in working capital:		
(Increase)/ decrease in financial assets and other assets	(1,994)	982
(Increase)/decrease in trade receivables	(212)	(799)
(Increase)/decrease in inventories	736	322
Increase/(decrease) in provisions	20	17
Increase/(decrease) in trade payable	(442)	950
Increase/ (decrease) in financial liabilities and other liabilities	1,731	(649)
Cash generated from operations	<u>3,318</u>	<u>3,765</u>
Income taxes paid	(616)	(516)
Net cash flow from operating activities (A)	<u>2,702</u>	<u>3,249</u>
B Cash flow from investing activities		
Purchase of property, plant and equipment	(114)	(7)
Net cash flow used in investing activities (B)	<u>(114)</u>	<u>(7)</u>
C Cash flow from financing activities		
Dividend payment	(1,630)	(1,714)
Net cash flow from financing activities (C)	<u>(1,630)</u>	<u>(1,714)</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>958</u>	<u>1,528</u>
Cash and cash equivalents as at the beginning of the year	6,737	5,209
Cash and cash equivalents at the end of year (refer note 11)	<u>7,695</u>	<u>6,737</u>

1) The statement of cash flow has been prepared under the indirect method as set out in Ind AS 7 on statements of cash flow.
2) Figures in brackets indicate cash outflow.

See accompanying notes to the financial statements
In terms of our report of even date attached

For S. N. Dhawan & CO LLP
Chartered Accountants
Firm Registration No.: 000050N/N500045

For on behalf of Board of Directors of
Thales Reliance Defence Systems Limited

Pankaj Walia
Partner
Membership No.509590

Rajesh K Dhingra
Director
DIN:03612092

Alok Malik Anand
Chief Executive Officer

Pankaj Kriplani
Chief Financial Officer

Dheeraj Sachdeva
Company Secretary

Place: Gurugram
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: Nagpur
Date: April 28, 2023

Place: New Delhi
Date: April 28, 2023

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
STATEMENT OF CHANGES IN EQUITY

(All amounts in lakhs unless stated otherwise)

A. Equity share capital

Particulars

Equity shares of Rs. 100 each issued, subscribed and fully paid

Balance as at April 1, 2021

Issue of equity share capital

Balance as at March 31, 2022

Issue of equity share capital

Balance as at March 31, 2023

No. of Shares	Amount
28,57,400	2,857
-	-
28,57,400	2,857
-	-
28,57,400	2,857

B. Other equity

Balance as at April 1, 2021

Profit for the year

Other comprehensive income for the year, net of income tax

Dividend distribution

Balance as at March 31, 2022

Profit for the year

Other comprehensive income/(loss) for the year, net of income tax

Dividend distribution

Balance as at March 31, 2023

Retained earnings	Items of other comprehensive income, net of tax	Total
2,490	(1)	2,489
1,906	-	1,906
-	-	-
(1,714)	-	(1,714)
2,682	(1)	2,681
2,655	-	2,655
-	1	1
(1,630)	-	(1,630)
3,707	-	3,707

@ Rs. 13,221.

See accompanying notes to the financial statements
 In terms of our report of even date attached

For S. N. Dhawan & CO LLP

Chartered Accountants

Firm Registration No.: 000050N/N500045

For on behalf of Board of Directors of

Thales Reliance Defence Systems Limited

Pankaj Walia

Partner

Membership No.509590

Rajesh K Dhingra

Director

DIN:03612092

Alok Malik Anand

Chief Executive Officer

Pankaj Kriplani

Chief Financial Officer

Dheeraj Sachdeva

Company Secretary

Place: Gurugram

Date: April 28, 2023

Place: New Delhi

Date: April 28, 2023

Place: Nagpur

Date: April 28, 2023

Place: Nagpur

Date: April 28, 2023

Place: New Delhi

Date: April 28, 2023

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

1 Background of the Company

Thales Reliance Defence Systems Limited ('the Company') is a joint venture between Reliance Aerostructure Limited and Thales India Private Limited with an equity participation of 51:49. The Company is engaged to carry on business on for air borne radar systems and electronic warfare system for aircraft in India.

The Company is a public limited Company incorporated and domiciled in India having the identification number U29305MH2018PLC305829. The Company was incorporated on March 1, 2018 and has its registered office at 502, Plot No. 91/94, Prabhat Colony, Santacruz (East), Mumbai - 400 055.

2 Basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules as amended from time to time.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value. 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.

- Derivative Financial Instruments
- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The financial statements are presented in Indian Rupees except as stated otherwise.

2.1 Summary of significant accounting policies

a. Current versus non-current classification

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

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

All other assets are classified as non-current.

Deferred Tax assets are classified as non-current assets.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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.

b. Foreign currencies

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

Transactions in foreign currencies are initially recorded by the Company at the spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

c. Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The 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 a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

d. Revenue recognition

The Company derives revenue primarily from rendering of services and sale of goods.

Revenue is recognised on the basis of approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Performance obligations

For each contract, the promised services (called performance obligations) are distinct only if the client can benefit from the services on its own and if the Company's promise to transfer these services is separately identifiable from other promises in the contract.

Revenue comprises of and is accounted as under -

- (i) Revenue from the sale of goods is recognised when delivery has taken place and control of the goods has been transferred to the customer, and when there are no longer any unfulfilled obligations. The customer obtains control of the goods when the goods are delivered to and accepted by the customer, according to the agreed delivery terms.
- (ii) Revenue from rendering of services is recognised when the performance of agreed contractual task has been completed.
- (iii) Revenue from radar integration activity will be recognised when delivery has taken place at customer port.

Goods contributed by the customer

If any customer contributes goods or services (for example, materials, equipment or labour) to facilitate Company's fulfilment of the contract, an assessment is made whether the Company has obtained 'Control' of those contributed goods or services. If so, the Company recognises for the contributed goods or services as non-cash consideration received from the customer and consequently recognise property, plant and equipment as well.

'Control' of an asset is deemed to be existing when there is:

- the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways, such as by:
 - (a) using the asset to produce goods or provide services (including public services);
 - (b) using the asset to enhance the value of other assets;
 - (c) using the asset to settle liabilities or reduce expenses;
 - (d) selling or exchanging the asset;
 - (e) pledging the asset to secure a loan; and
 - (f) holding the asset.

Interest Income

Interest Income from a Financial Assets is recognised using effective interest rate method.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

e. Taxes

Current income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India and tax laws prevailing in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Company enjoys income tax exemption for a period of 10 years under Section 10AA of the Income Tax Act, 1961 for its Units Nagpur registered under Special Economic Zone of India. Accordingly, provision for tax for these Units are calculated as per the provisions of Section 10AA of the Income Tax Act 1961, as amended from time to time.

Minimum Alternate Tax (MAT)

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset, it is created by way of credit to the statement of profit and loss and shown as part of deferred tax asset. The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

Property, plant and equipment and capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation methods, estimated useful lives and residual value:

Depreciation is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following useful lives to provide depreciation on its fixed assets.

Category of assets	Estimated useful life
Computers and equipment	3 years
Furniture and fixtures	10 years
Office equipment	5 years
Building	30 years
Road	10 years
Temporary structure	3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
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NOTES TO FINANCIAL STATEMENTS

g. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives 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 with a finite useful life 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 modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

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 or loss when the asset is derecognised.

h. Leases

Company as a lessee

The Company's lease asset consist of lease for land. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Customer furnished assets used exclusively to fulfil the sales contract

The contracts involving customer furnished assets are evaluated to identify the existence of leases. The leases in such cases are recognised if:

- (i) the assets are identified ones
- (ii) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- (iii) the Company has the right to direct how and for what purpose the identified asset is used throughout the period of use

In other cases, assuming the conditions (i) and (ii) above are also satisfied, lease is recognised where the relevant decisions about how and for what purpose the asset is used are predetermined and:

(i) the Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the customer having the right to change those operating instructions; or

(ii) the Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use

THALES RELIANCE DEFENCE SYSTEMS LIMITED

CIN - U29305MH2018PLC305829

NOTES TO FINANCIAL STATEMENTS

In assessing the control transferred through the rights to use the asset, the Company evaluates the following criteria:

- (i) **Linked contracts** — The right to use the asset is directly linked to the revenue arrangement. That is, the arrangement is executed as part of one contract or each part of two or more contracts is deemed to be combined and accounted for as a single transaction since the contracts are interdependent.
- (ii) **Coterminous period** — Some or all of the period of use of the asset is coterminous with the revenue arrangement. As discussed further below, if the period of use for the asset begins before or ends after the revenue arrangement, this condition would only be satisfied (and therefore net treatment would only be appropriate) for the overlapping period.
- (iii) **Restricted use** — During the coterminous period identified in criterion 2, the vendor's use of the asset is either restricted contractually or limited practically to solely transferring the goods or services promised in the revenue arrangement, including restricting the vendor from assigning or transferring the rights of the asset without the customer's consent.

When the above three criteria are met, the substance of the transaction is that there are no leases (i.e. neither inbound nor outbound) and the accounting is done on a net basis (i.e., there are no separate accounting effects related to the customer-furnished assets).

i. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

j. Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

k. Employee benefits

Gratuity

In accordance with Indian law, the Company provides for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering all employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement or on termination of employment for an amount based on the respective employee's salary and the years of employment with the Company.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method based on an actuarial valuation performed by an independent actuary.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements; and
- Net interest expense or income

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

Compensated absences

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as undiscounted liability at the balance sheet date. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the balance sheet date. The Company recognised compensated absence liability as current liability.

Provident fund

In Accordance with Indian Law, all eligible employees of the Company are entitled to receive benefits under the Provident fund plan in which both the employees and employer (at a defined rate). The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company makes annual contributions based on a specified percentage of each eligible employee's salary.

I. 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

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. However, trade receivables that do not contain a significant financing component are measured at transaction price.

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables.

Debt instruments at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent solely payment of principal and interest (SPPI).

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the P&L. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to P&L. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instruments at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

THALES RELIANCE DEFENCE SYSTEMS LIMITED
CIN - U29305MH2018PLC305829
NOTES TO FINANCIAL STATEMENTS

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Available for sale financial assets
- c) Lease receivables under Ind AS 116
- d) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables or contract revenue receivables; and
- All lease receivables resulting from transactions within the scope of Ind AS 116

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, book overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

THALES RELIANCE DEFENCE SYSTEMS LIMITED

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NOTES TO FINANCIAL STATEMENTS

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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.

m. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

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n. Segment reporting

Ind AS 108 establishes standards for the way that public business enterprises report information about operating segments and related disclosures about services, geographical areas and major customers. The Company's operation pre dominantly relate to air borne radar systems and electronic warfare system for aircraft. Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on analysis of various performance indicators by business segments and geographic segments. Accordingly, information has been presented. As the Company is involved in a single business of air borne radar systems and electronic warfare system for aircraft, so there is a single business segment.

o. Earning per share

Basic earnings per share is computed by dividing the net profit attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the net profit as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) 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.

p. Inventories

Inventories are valued at the lower of cost (on FIFO) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges.

Work-in-progress and finished goods valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads.

Service work-in-progress consists of cost incurred in respect of job activities, which are incomplete as at the balance sheet date and is valued at lower of cost incurred up to stage of completion and net realisable value. Cost comprises Company incurred own as well as third party cost of labour and services.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

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(All amounts in lakhs unless stated otherwise)

3 Property, plant and equipment

	Building	Plant and Machinery	Office equipment	Furniture and fixtures	Computer and servers	Total
Gross block						
Balance as at April 1, 2021	1,273	2,068	27	47	72	3,487
Additions	-	-	- *	3	4	7
Deletions	-	-	-	-	-	-
Balance as at March 31, 2022	1,273	2,068	27	50	76	3,494
Additions	13	21	44	23	13	114
Deletions	-	-	-	-	-	-
Balance as at March 31, 2023	1,286	2,089	71	73	89	3,608
Accumulated depreciation						
Balance as at April 1, 2021	28	39	4	5	13	89
Charge for the year	45	138	5	5	26	218
Disposals	-	-	-	-	-	-
Balance as at March 31, 2022	73	177	9	10	39	307
Charge for the year	44	138	8	6	25	221
Disposals	-	-	-	-	-	-
Balance as at March 31, 2023	117	315	17	16	64	528
Net book value						
Balance as at March 31, 2022	1,200	1,891	18	40	37	3,187
Balance as at March 31, 2023	1,169	1,774	54	57	25	3,080

* Rs. 12,000

4 Right-of-use asset

	Leasehold land
Gross carrying amount	
Balance as at April 1, 2021	456
Additions	-
Deletions	-
Balance as at March 31, 2022	456
Additions	-
Deletions	-
Balance as at March 31, 2023	456
Accumulated amortisation	
Balance as at April 1, 2021	36
Charge for the year	15
Deletions	-
Balance as at March 31, 2022	51
Charge for the year	15
Deletions	-
Balance as at March 31, 2023	66
Net carrying amount	
Balance as at March 31, 2022	405
Balance as at March 31, 2023	390

Note: In previous years, the Company had received a right to use for leasehold land from its holding company (Reliance Aerostructure Limited) in consideration of which, 422,740 fully paid up equity shares were allotted to the holding Company. The lease period for lease hold land is 30 years.

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NOTES TO FINANCIAL STATEMENTS

(All amounts in lakhs unless stated otherwise)

5 Other financial assets

	As at March 31, 2023	As at March 31, 2022
Non-current		
a. Security deposits	13	13
	13	13
Current		
a. Loan to employee	1	-
	1	-

6 Deferred tax (liabilities) / assets (net)

	As at March 31, 2023	As at March 31, 2022
Deferred tax (liabilities) / assets in relation to		
a. Property, plant and equipment	(268)	(239)
b. Employee benefit obligation	21	15
	(247)	(224)
Deferred tax charge/ (credit)		
Recognised in statement of profit or loss	23	333
Recognised in other comprehensive income *	-	-

*March 31, 2023: Rs. 24,816 and March 31, 2022: Rs. 5,431.

Notes:

1. A new section 115BAA had been inserted in the Income Tax Act with effect from financial year 2019-20 which allows any domestic Company an option to pay income-tax at the rate of 22% subject to the condition that the Company will not avail certain exemptions/incentives, deductions and allowances (including additional depreciation). Further, no carry forward of tax losses as attributable to exemptions/incentives, deductions and allowances claimed in the previous years will be allowed to be set off against the taxable Income. Also, such companies shall not be required to pay Minimum Alternate Tax (MAT). The Company has decided not to opt for the concessional tax regime now and will continue to comply with old tax regime.

2. The Company has Minimum Alternate Tax (MAT) credit entitlement assets amounting to Rs. 1,784 lakhs as at March 31, 2023 (March 31, 2022: Rs. 1,217 lakhs). In the absence of convincing evidence, utilisation of this balance can not be ascertained, these balances will expire and may not be used to offset taxable income. The Company neither has any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these MAT credit entitlement as deferred tax assets. On this basis, the Company has determined that it cannot recognise deferred tax assets on these balances.

7 Income tax assets

	As at March 31, 2023	As at March 31, 2022
Income tax assets (net)	46	12
	46	12

8 Other assets

(unsecured, considered good, unless otherwise stated)

	As at March 31, 2023	As at March 31, 2022
Non-current		
a. Advance to vendors	254	510
	254	510
Current		
a. Advance to employees	15	4
b. Advance to vendors	4,307	2,078
c. Prepaid expenses	105	96
	4,427	2,178

9 Inventories

	As at March 31, 2023	As at March 31, 2022
a. Raw material	168	635
b. Service work in progress	-	241
c. Finished goods*	3	31
	171	907

*It includes material in transit of Rs. 3 lakhs (March 31, 2022; Rs. 31 lakhs)

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(All amounts in lakhs unless stated otherwise)

10 Trade receivables

	As at March 31, 2023	As at March 31, 2022
Trade receivables		
- Unsecured, considered good	1,014	801
	1,014	801

Notes:

- i. Trade receivables are non-interest bearing and are due on immediate basis.
- ii. No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- iii. Receivables from related parties (refer note 39) 1,014 801
- iv. Trade receivables ageing schedule for the year ended as on March 31, 2023 and March 31, 2022:

Particulars	Unbilled revenue	Not Due	less than 6 months	Total
Undisputed trade receivable- considered good	228	-	786	1,014
	(-)	(102)	(699)	(801)
Total trade receivable	228	-	786	1,014
	(-)	(102)	(699)	(801)

Figures in bracket are for previous year

11 Cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
a. Cash in hand*	-	-
b. Balances with banks in current account	7,695	6,737
	7,695	6,737

* March 31, 2023: Rs. 20,189 and March 31, 2022: Rs. 982.

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(All amounts in lakhs unless stated otherwise)

12 Equity share capital

	As at		As at	
	March 31, 2023		March 31, 2022	
	No. of shares	Amount	No. of shares	Amount
Authorised				
Equity shares of Rs. 100 each	37,82,000	3,782	37,82,000	3,782
	37,82,000	3,782	37,82,000	3,782
Issued, subscribed and fully paid up				
Equity shares of Rs. 100 each	28,57,000	2,857	28,57,000	2,857
Total	28,57,000	2,857	28,57,000	2,857

a. Reconciliation of the shares

	As at		As at	
	March 31, 2023		March 31, 2022	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Balance as at the beginning of the year	28,57,400	2,857	28,57,400	2,857
Issued during the year	-	-	-	-
Balance as at the end of the year	28,57,400	2,857	28,57,400	2,857

b. Terms/Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 100 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company. The Company declares and pay dividend in Indian Rupees. The dividend proposed by the Board of Directors is subjected to the approval of Shareholders in the ensuing Annual General Meeting.

c. Shares held by Holding Company

	As at		As at	
	March 31, 2023		March 31, 2022	
	No. of shares		No. of shares	
Reliance Aerostructure Limited and its nominees	14,57,274	14,57,274	14,57,274	14,57,274

d. Details of shareholders holding more than 5% shares in the Company

Name of shareholder	As at		As at	
	March 31, 2023		March 31, 2022	
	No. of Shares	% held	No. of Shares	% held
Reliance Aerostructure Limited and its nominees	14,57,274	51.00%	14,57,274	51.00%
Thales India Private Limited	14,00,126	49.00%	14,00,126	49.00%

e. During the year ended March 31, 2020, the Company had allotted 422,740 fully paid up equity shares to its holding Company (Reliance Aerostructure Limited) pursuant to contract without consideration being received in cash. As non-cash consideration, the holding Company had provided a right to use- leasehold land to the Company.

f. Shares held by promoters:

Promoter name	Shares held by promoters at the beginning of the year		Shares held by promoters at the end of the year		% change during the year
	No of shares	% of total shares	No of shares	% of total shares	
	Reliance Aerostructure Limited	14,57,269	51%	14,57,269	
Thales India Private Limited	14,00,126	49%	14,00,126	49%	-
Sadacharam Ramasamy	1	0%	1	0%	-
Paresh Purushottam Lal Rathore	1	0%	1	0%	-
Arup A. Gupta	1	0%	1	0%	-
Anirban Roy Chowdhury	1	0%	1	0%	-
Rajeev Vaid	1	0%	1	0%	-

13 Other equity

	As at		As at	
	March 31, 2023		March 31, 2022	
a. Retained earnings	3,707	2,682	3,707	2,682
b. Other comprehensive income	-	(1)	-	(1)
	3,707	2,681	3,707	2,681
Retained earnings				
Balance at the beginning of year	2,682	2,490	2,682	2,490
Profit for the year	2,655	1,906	2,655	1,906
Dividend distribution	(1,630)	(1,714)	(1,630)	(1,714)
Balance at the end of the year	3,707	2,682	3,707	2,682
Other comprehensive income				
Balance at the beginning of year	(1)	(1)	(1)	(1)
Remeasurements of net defined benefit plans	1	-	1	-
Balance at the end of the year	-	(1)	-	(1)

@ March 31, 2022 : Rs. 13,221.

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(All amounts in lakhs unless stated otherwise)

14 Provisions

	As at March 31, 2023	As at March 31, 2022
Non-current		
Provision for employee benefits:		
a. Compensated absences	44	34
b. Gratuity (refer note 30 (b))	23	15
	<u>67</u>	<u>49</u>
Current		
Provision for employee benefits:		
a. Compensated absences	3	2
b. Gratuity (refer note 30 (b)) [#]	-	-
	<u>3</u>	<u>2</u>

[#] March 31, 2023: Rs. 49,203 and March 31, 2022: Rs. 3,267.

15 Other non-current liabilities

	As at March 31, 2023	As at March 31, 2022
a. Advance from customers	368	707
	<u>368</u>	<u>707</u>

16 Trade payables

	As at March 31, 2023	As at March 31, 2022
Trade payables		
a. Total outstanding dues of micro enterprises and small enterprises (MSME)	9	2
b. Total outstanding dues of other than micro enterprises and small enterprises*	1,386	1,836
	<u>1,395</u>	<u>1,838</u>

Trade payables ageing schedule for the year ended as on March 31, 2023 and March 31, 2022:

Particulars	Not Due	Less than 1 year	1-2 years	Total
i. Undisputed dues - MSME	-	9	-	9
	(-)	(2)	-	(2)
ii. Undisputed dues - others	1,152	234	-	1,386
	(615)	(1,220)	(1)	(1,836)
Total trade payable	1,152	243	-	1,395
	(615)	(1,222)	(1)	(1,838)

Figures in bracket are for previous year

* Includes unbilled dues of Rs. 1,152 lakhs (March 31, 2022: Rs. 5 lakhs)

17 Other financial liabilities

	As at March 31, 2023	As at March 31, 2022
a. Payable to creditors for capital goods	5	5
	<u>5</u>	<u>5</u>

18 Income tax liabilities (net)

	As at March 31, 2023	As at March 31, 2022
a. Tax payable	-	14
	<u>-</u>	<u>14</u>

19 Other current liabilities

	As at March 31, 2023	As at March 31, 2022
a. Statutory dues	69	80
b. Employee payables	68	52
c. Advance billing to customer	3,126	2,788
d. Advance from customers	5,179	3,453
	<u>8,442</u>	<u>6,373</u>

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(All amounts in lakhs unless stated otherwise)

20 Revenue from operations	For the year ended March 31, 2023	For the year ended March 31, 2022
Sale of goods	4,150	3,839
Sale of services	7,038	6,821
	11,188	10,660
21 Other income	For the year ended March 31, 2023	For the year ended March 31, 2022
Gain on foreign exchange fluctuations (net)	487	-
Miscellaneous income	4	2
	491	2
22 Changes in inventories of service work in progress and finished goods	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening balance of service work in progress	241	673
Closing balance of service work in progress	-	(241)
Changes in inventories of service work in progress	241	432
Opening balance of finished goods	31	475
Closing balance of finished goods	(3)	(31)
Changes in inventories of finished goods	28	444
Changes in inventories of service work in progress and finished goods	269	876
23 Employee benefit expenses	For the year ended March 31, 2023	For the year ended March 31, 2022
a. Salaries, wages and bonus	310	263
b. Contribution to provident and other funds (refer note 30(a))	16	13
c. Gratuity (refer note 30(b))	8	7
d. Staff welfare expenses	17	9
	351	292
24 Depreciation and amortisation expense	For the year ended March 31, 2023	For the year ended March 31, 2022
a. Depreciation of property, plant and equipment	221	218
b. Amortisation of Right of Use (RoU) assets (refer note 4)	15	15
	236	233
25 Other expenses	For the year ended March 31, 2023	For the year ended March 31, 2022
a. Communication expenses	10	10
b. Payment to auditors (refer below)	22	17
c. Repair and maintenance	126	87
d. Travelling and conveyance	104	36
e. Business support services	35	149
f. Legal and professional charges	20	12
g. Software expenses	25	25
h. Power and fuel	62	50
i. Insurance	95	90
j. Expenditure towards Corporate Social Responsibility (refer note 32)	43	21
k. Loss on foreign exchange fluctuations (net)	-	204
l. Miscellaneous expenses	18	9
	560	710
Note:		
I Payments to auditors		
(i) Audit fees	18	14
(ii) Tax audit fees	3	2
(iii) Other services	1	1
	22	17

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(All amounts in lakhs unless stated otherwise)

26 Income taxes

	For the year ended March 31, 2023	For the year ended March 31, 2022
Current tax		
For current period	567	474
	567	474
Deferred tax		
In respect of the current year	23	106
Tax adjustment for earlier years	-	227
	23	333
Income tax expense recognised in the statement of profit and loss	590	807
Other comprehensive income section		
Income tax relating to items that will not be reclassified to profit or loss*	-	-

* March 31, 2023: Rs. 24,816 and March 31, 2022: Rs. 5,431.

Reconciliation of tax expense and the accounting profit multiplied by prevailing income tax rate

Profit before tax	3,245	2,713
Income tax rate	29.1%	29.1%
Calculated income tax expense	944	790
Deduction under section 10AA	(921)	(683)
Tax payable under provision of Section 115JB of Income tax Act (read with note 6)	567	474
Adjustments recognised in the current year in relation to the deferred tax of previous years	-	227
Others	-	(1)
Income tax expense	590	807

27 Earnings per share

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net profit attributable to the shareholders	2,655	1,906
Weighted average number of outstanding equity shares during the year	28,57,400	28,57,400
Basic and diluted earnings per share (in Rs.)	92.92	66.69

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28 Segment information

The Company is engaged in the business of assembly and services of radar and electronic warfare systems, which in the context of Ind AS 108, is considered as the only business segment. Hence, the reporting requirements for segment disclosure as prescribed by Ind AS 108 are not applicable.

29 Commitments and contingencies

- a. The estimated amount of contracts remaining to be executed on capital amounts and not provided for (net of advances) are Nil (March 31, 2022: Nil.)
- b. The Company has other commitments, for purchase of goods and services and employee benefits, in normal course of business. The Company does not have any long term commitments/contracts for which there will be any material foreseeable losses.
- c. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- d. The Company does not have any pending litigations which would impact its financial position in its financial statements. There are no contingent liabilities.

30 Employee benefit plans

a. Defined contribution plans

The Company makes Provident Fund contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes. Employer's contribution to provident fund scheme recognised as expense in the Statement of Profit and Loss for the year are as under:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Contribution to provident fund (refer note 23)	16	13
	16	13

b. Defined benefit plan

The Company has a defined benefit gratuity plan. Employee who have completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme of gratuity is unfunded.

The following tables summaries the expense recognised in the statement of profit or loss and amounts recognised in the balance sheet :

(i) Change in defined benefit obligations (DBO)

Particulars	As at March 31, 2023	As at March 31, 2022
Present value of defined benefit obligation at the beginning of the year	16	9
Current service cost	7	7
Interest cost	1	1
Benefits paid	(1)	(1)
Actuarial (gains)/losses on defined benefit obligation	1	-
Present value of defined benefit obligation at year end	24	16

^ Rs 18,652

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(ii) Net employee benefit expense in respect of Gratuity (recognised in employee benefits expense):

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Service cost	7	7
Interest cost	1	1
Expenses recognized in the Statement of Profit and Loss	8	8

(iii) Net employee benefit expense in respect of Gratuity (recognised in other comprehensive income):

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial (gain) / loss for the year on PBO	1	-
Actuarial (gain) / loss for the year on asset	-	-

* Rs 18,652

(iv) Actuarial gain or losses:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Actuarial (gain) / loss from change in demographic assumptions	-	-
Actuarial (gain) / loss from change in financial assumptions	(1)	(1)
Actuarial (gain) / loss from change in experience adjustment	2	1

(v) Actuarial assumptions

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Discount rate (%)	7.50%	7.25%
Rate of increase in compensation levels (%)	9.75%	9.75%

(vi) Sensitivity analysis of the defined benefit obligation at the year end

Impact of change in closing defined benefit obligation	March 31, 2023		March 31, 2022	
	Discount rate	Salary increment	Discount rate	Salary increment
Impact due to increase of 0.5%	22	25	14	16
Impact due to decrease of 0.5%	25	22	16	14

Sensitivity for significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of the defined benefit obligation by one percentage, keeping all other actuarial assumptions constant.

(vii) Maturity profile of defined benefit obligation

Period	March 31, 2023	March 31, 2022
Within 1 year*	-	-
Between 1-2 year	1	-
Between 2-3 year	1	-
Between 3-4 year	6	1
Between 4-5 year	1	4
Beyond 5 year	60	41

* March 31, 2023: Rs. 49,203 and March 31, 2022 : Rs. 3,267

March 31, 2023: Rs. 64,842 and March 31, 2022 : Rs. 34,118

^ March 31, 2023: Rs. 94,388 and March 31, 2022 : Rs. 44,588

31 Foreign currency exposure that are not hedged by derivative instrument or forward contracts amount to:

Particulars	Currency	As at March 31, 2023		As at March 31, 2022	
		In foreign currency	Rs. in Lakhs	In foreign currency	Rs. in Lakhs
Trade receivables	EURO	8,79,396	1,014	9,50,551	801
Trade payables	EURO	2,46,812	221	9,35,390	789

32 Expenditure incurred on corporate social responsibility activities

	For the year ended March 31, 2023	For the year ended March 31, 2022
Amount required to be spent during the year	43	21
Less: Amount spent during the year*	43	21
Shortfall at the end of the year	-	-

* Amount paid as contribution to the Prime Minister's National Relief Fund

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(All amounts in lakhs unless stated otherwise)

33 Ratios

Particulars	Numerator	Denominator	As at March 31, 2023	As at March 31, 2022	Variance	Reason for variance where the change is more than 25% as compared to previous year
(a) Current ratio (in times) Current assets/current liabilities	March 31, 2023 : 13,308 March 31, 2022 : 10,623	March 31, 2023 : 9,845 March 31, 2022 : 8,232	1.35	1.29	5%	Not applicable
(b) Return on equity ratio (in %) Net Profits after taxes/Average shareholder's equity	March 31, 2023 : 2,655 March 31, 2022 : 1,906	March 31, 2023 : 6,051 March 31, 2022 : 5,442	44%	35%	26%	Refer note (i) below
(c) Inventory turnover ratio (in times) Cost of goods sold/Average inventory	March 31, 2023 : 7,287 March 31, 2022 : 6,714	March 31, 2023 : 539 March 31, 2022 : 1,068	13.52	6.29	115%	Refer note (ii) below
(d) Trade receivables turnover ratio (in times) Revenue from operations/Average trade receivable	March 31, 2023 : 11,188 March 31, 2022 : 10,660	March 31, 2023 : 908 March 31, 2022 : 401	12.32	26.58	-54%	Refer note (iii) below
(e) Trade payables turnover ratio (in times) Cost of goods sold/Average trade payable	March 31, 2023 : 7,287 March 31, 2022 : 6,714	March 31, 2023 : 1,617 March 31, 2022 : 1,364	4.51	4.92	-8%	Not applicable
(f) Net capital turnover ratio (in times) Revenue from operations/working capital	March 31, 2023 : 11,188 March 31, 2022 : 10,660	March 31, 2023 : 3,463 March 31, 2022 : 2,391	3.23	4.46	-28%	Refer note (iv) below
(g) Net profit ratio (in %) Net Profit after tax / Revenue from operations	March 31, 2023 : 2,655 March 31, 2022 : 1,906	March 31, 2023 : 11,188 March 31, 2022 : 10,660	24%	18%	33%	Refer note (v) below
(h) Return on capital employed (in %) Earning before interest and taxes/Capital employed*	March 31, 2023 : 3,245 March 31, 2022 : 2,713	March 31, 2023 : 6,811 March 31, 2022 : 5,762	48%	47%	2%	Not applicable
(i) Debt-equity ratio (in times) (Total borrowings/ Shareholder's equity)			NA	NA	NA	Not applicable
(j) Debt service coverage ratio (in times) Earning available for debt service/ debt service			NA	NA	NA	Not applicable
(k) Return on investment (in %) Earning before interest and taxes/investment			NA	NA	NA	Not applicable

*Tangible net worth+Deferred tax liability

Notes:

- (i) Change in product mix as compared to previous year resulted into increase in profit in current year lead to increase in return on equity ratio.
- (ii) The Company does not deal in standard products. Almost all of its products supplied are made/engineered to order as per relevant requirement of customers. The variation in inventory turnover ratio is due to the change in mix of products sold during the year as compared to those sold in previous year.
- (iii) In previous year, sales towards end of the year is higher which led to higher trade receivables in previous year.
- (iv) Working capital is increased due to more advance received from customers for contracts to be executed in future period as compared to previous year, but the same increase did not happened which led to lower capital turnover ratio in current year.
- (v) Change in product mix as compared to previous year resulted into increase in profit in current year which lead to increased net profit ratio.
- (vi) NA = Not applicable, since the Company does not have any debts or investments.

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(All amounts in lakhs unless stated otherwise)

34 Fair Value Measurements

Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Financial instruments by category	For the year ended March 31, 2023	For the year ended March 31, 2022
Financial assets		
Measured at fair value through Profit & Loss	-	-
Measured at amortised cost		
a. Security deposits	13	13
b. Trade receivables	1,014	801
c. Cash and cash equivalents	7,695	6,737
d. Loan to employee	1	-
	8,723	7,551
Financial liabilities		
Measured at amortised cost		
a. Trade payables	1,395	1,838
b. Other financial liabilities	5	5
	1,400	1,843
Measured at fair value through other comprehensive income	Nil	Nil

The Company does not have any assets and liabilities which need to category as 'fair value through profit and loss' and 'fair value through other comprehensive income'.

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are :

- (a) recognised and measured at fair value and
- (b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table

	For the year ended March 31, 2023	For the year ended March 31, 2022
Level 3		
Financials assets		
a. Security deposits	13	13
b. Loan to employee	1	-
c. Cash and cash equivalent	7,695	6,737
Total financial assets	7,709	6,750
Financial liabilities		
a. Trade payables	1,395	1,838
b. Other financial liabilities	5	5
Total financial liabilities	1,400	1,843

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

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35 Financial risk management

In the course of its business, the Company is exposed primarily to fluctuations in foreign currency exchange rates, interest rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments.

The Company has a risk management policy which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as interest rate risks and credit risks. The risk management policy is approved by the board of directors. The risk management framework aims to:

- Create a stable business planning environment by reducing the impact of currency and interest rate fluctuations on the Company's business plan.
- Achieve greater predictability to earnings by determining the financial value of the expected earnings in advance.

a. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to any equity price risk.

(i) Exposure to foreign currency risk

	For the year ended March 31, 2023	For the year ended March 31, 2022
Balance with Bank in Foreign Currency (EUR) Account	7,411	6,553
Trade receivables	1,014	801
Trade Payables	(221)	(789)
	8,204	6,565

Profit/ (loss) is sensitive to changes in foreign exchange rates arising from foreign currency denominated financial instruments

INR /EUR- Decrease by 5% *	(339)	(271)
INR /EUR- Increase by 5% *	339	271

* holding all other variables constant

b. 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. As of now, the Company is not exposed to any interest risk.

c. Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per the requirements. The Company has sufficient cash flows to meet its financial obligations as and when they fall due.

Liquidity Risk - Table

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivatives	As at March 31, 2023			As at March 31, 2022		
	Trade Payables	Other financial liabilities	Total	Trade Payables	Other financial liabilities	Total
Less than 1 year	1,395	5	1,400	1,838	5	1,843
Between 1 year and 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	1,395	5	1,400	1,838	5	1,843

36 Capital Risk Management

The Company considers the following components of its Balance Sheet to be manage capital:

Total equity – share capital, share premium and retained earnings,

The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to our shareholders. The capital structure of the group is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim to translate profitable growth to superior cash generation through efficient capital management.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

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37 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	March 31, 2023	March 31, 2022
the principal amount remaining unpaid to any supplier as at the end of year	9	2
the interest due on above remaining unpaid to any supplier as at the end of year	-	-
the amount of interest paid by the buyer under MSMED Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during year	-	-
the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act, 2006 not paid)	-	-
The amount of interest accrued and remaining unpaid at the end of accounting year	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23.	-	-

38 Recent accounting pronouncements

Ministry of Corporate Affairs (“MCA”) notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 31, 2023, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2023, as below:

Ind AS 1 - Presentation of Financial Statements - This amendment requires the entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and the impact of the amendment is insignificant in the financial statements.

Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - This amendment has introduced a definition of ‘accounting estimates’ and included amendments to Ind AS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statements.

Ind AS 12 - Income Taxes - This amendment has narrowed the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statement.

39 Related Parties

a. List of related parties

i. Holding Company

Reliance Aerostructure Limited

ii. Entity which exercises significant influence on the Company

Thales India Private Limited

iii. Enterprises under the common control

Reliance Infrastructure Limited

Reliance Defence Limited

Thales DMS France SAS

Thales LAS France SAS

Thales Global Services SAS

BEL-Thales Systems Limited

Reliance Transports and Travels Private Limited

iv. Key management personnel

Mr. Alok Malik Anand

Mr Pankaj Kriplani

Mr Dheeraj Sachdeva

Chief Executive Officer

Chief Financial Officer

Company Secretary

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(All amounts in lakhs unless stated otherwise)

b. Transactions with related parties during the year

Particulars	Holding Company		Enterprises exercising significant influence		Enterprises under the common control		Key management personnel		Total	
	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022
Transactions during the period										
Dividend Payments	831	874	799	840	-	-	-	-	1,630	1,714
- Reliance Aerostructure Limited	831	874	-	-	-	-	-	-	831	874
- Thales India Private Limited	-	-	799	840	-	-	-	-	799	840
Business/Infra Support Services and cost of services	-	-	2,716	3,565	34	38	-	-	2,750	3,603
- Reliance Defence Limited	-	-	-	-	34	38	-	-	34	38
- Thales India Private Limited	-	-	2,716	3,565	-	-	-	-	2,716	3,565
Travelling expense	-	-	-	-	50	20	-	-	50	20
- Reliance Transport & Travels Limited	-	-	-	-	50	20	-	-	50	20
Purchase of Inventory	-	-	-	-	2,670	3,283	-	-	2,670	3,283
-BEL-Thales Systems Limited	-	-	-	-	2,670	3,283	-	-	2,670	3,283
Sale of goods	-	-	-	-	4,150	6,476	-	-	4,150	6,476
- Thales DMS France SAS	-	-	-	-	4,150	6,476	-	-	4,150	6,476
Sale of services	-	-	-	-	7,038	4,184	-	-	7,038	4,184
- Thales DMS France SAS	-	-	-	-	5,994	4,184	-	-	5,994	4,184
- Thales LAS France SAS	-	-	-	-	750	-	-	-	750	-
- Thales Global Services SAS	-	-	-	-	294	-	-	-	294	-
Managerial remuneration	-	-	-	-	-	-	128	84	128	84
-Mr. Alok Malik Anand	-	-	-	-	-	-	90	56	90	56
-Mr. Pankaj Kriplani	-	-	-	-	-	-	38	28	38	28

c. Balances outstanding with related parties

Particulars	Holding Company		Enterprises exercising significant influence		Enterprises under the common control		Key management personnel		Total	
	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2023	For the year ended March 31, 2022
Trade Receivable	-	-	-	-	1,014	801	-	-	1,014	801
- Thales DMS France SAS	-	-	-	-	809	801	-	-	809	801
- Thales LAS France SAS	-	-	-	-	205	-	-	-	205	-
Trade Payables	-	-	750	1,008	133	628	-	-	883	1,636
- Thales India Private Limited	-	-	750	1,008	-	-	-	-	750	1,008
-BEL-Thales Systems Limited	-	-	-	-	133	628	-	-	133	628
Advance to vendors	-	-	-	-	-	1,601	-	-	-	1,601
-BEL-Thales Systems Limited	-	-	-	-	-	1,601	-	-	-	1,601
Advance from customer	-	-	-	-	5,547	4,160	-	-	5,547	4,160
- Thales DMS France SAS	-	-	-	-	4,134	4,160	-	-	4,134	4,160
- Thales Global Services SAS	-	-	-	-	1,413	-	-	-	1,413	-
Advance billing to customer	-	-	-	-	3,126	2,788	-	-	3,126	2,788
- Thales DMS France SAS	-	-	-	-	3,126	2,788	-	-	3,126	2,788

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40 Transfer pricing

The Company is in the process of completing the transfer pricing study, as required by the Income Tax Act, 1961, for the transactions undertaken with related parties for the year ended March 31, 2023. These financial statements have been prepared based on agreed rates with such related parties. Any adjustment that may arise on completion of the transfer pricing study for the year ended March 31, 2023, which in the opinion of the management is not expected to be material, will be incorporated in the books of account of the subsequent period.

41 There are no events observed after the reported period which requires an adjustment or disclosure in the financial statements.

42 The Company has received till date Specific Tools and Test equipment (STTE) from the customer having a custom assessed value of Rs 55,086 Lakhs (March 31, 2022 : Rs 52,355 Lakhs) . These STTE are provided to the Company free of cost and are necessary to perform the manufacturing activities. The key agreement terms with respect to these customer furnished assets are:

- Transfer of title in the STTE shall be deemed to be transferred to the Company upon remittance of such STTE to the first carrier in France as evidenced by the issuance of the transport department (Airway bill or bill of lading).
- The transfer of risk of damage or loss to the STTE shall pass to the Company upon unloading of such STTE at the Nagpur Delivery at Port against signature by Company of any document presented by the customer's transporter.
- Transfer of title to the STTE shall not be construed as a transfer of title to any intellectual property rights (IPR)
- The customer reserves the right at any time to demand STTE from the Company. If such demand is made before offset credit claim by the customer, the re-dispatch and delivery of STTE will be carried out at Nil price and at the cost of customer. If demand is made after offset claim by customer then re-dispatch and delivery of STTE will be made at fair value. In case of disagreement as to the fair value, it will be sent to an independent valuer
- The warranty period for the STTE shall be 12 months from the date of Certificate of Completion of Commissioning.
- Upon expiry or termination of cooperation agreement between the customer and the Company, the Company shall immediately and without further notice cease any use of STTE and;
 - (a) If no claim for offset credits has already been made by the customer, the Company shall return and deliver with the corresponding transfer of title, the STTE to the customer at Nil price and at the cost of the customer, immediately upon simple request made by the customer
 - (b) If a claim for offset credits has already been made by the customer, the Company shall return and deliver with the corresponding transfer of title, the STTE to any third party designated by the customer, subject to prior necessary regulatory/governmental approvals enabling such a transfer. Such a transfer shall be made at the fair value to be agreed between the parties, or by an Independent valuer in case of disagreement between the parties.

As per the accounting policy adopted by the Company basis the guidance contained in Ind AS 115 and Ind AS 116, the control was found non-existent vis a vis the customer furnished STTE. The non-existence of control was concluded both in case of evaluation pursuant to whether or not a non-cash consideration has been received from the customer warranting a recognition of Property, Plant and Equipment and also for whether or not the recognition of lease was identified. Therefore, in the absence of control, the non-cash consideration or lease has not been recognised.

43 Additional regulatory information required by Schedule III of Companies Act, 2013:

- (i) **Details of Benami property:** No proceedings have been initiated or are pending against the Company for holding any Benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder.
- (ii) **Utilisation of borrowed funds and share premium:** The Company have not advanced or loaned or invested funds to any other person or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
 - a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - b. provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
 The Company have not received any fund from any person or entity, including foreign entity (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
 - a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
 - b. provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- (iii) **Compliance with number of layers of Companies:** The Company has complied with the number of layers prescribed under the Companies Act, 2013.
- (iv) **Compliance with approved scheme(s) of arrangements:** The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.
- (v) **Undisclosed income:** There have been no transactions which have not been recorded in the books of account, that have been surrendered or disclosed as income during the year ended March 31, 2023, in the tax assessments under the Income Tax Act, 1961. There have been no previously unrecorded income and related assets which were to be properly recorded in the books of account during the year ended March 31, 2023.
- (vi) **Details of crypto currency or virtual currency:** The Company has not traded or invested in crypto currency or virtual currency during the current or previous year.
- (vii) The Company has not granted any loans or advances in the nature of loans either repayable on demand.
- (viii) The Company does not have any transactions with the Companies struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956 during the year ended March 31, 2023.
- (ix) The Company do not have any charges or satisfaction which is yet to be registered with Registrar of Companies (ROC) beyond the statutory period.
- (x) The Company is not a declared wilful defaulter by any bank or financial Institution or other lender, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India, during the year ended March 31, 2023.
- (xi) The Company has no working capital limits from banks, accordingly the Company is not required to file any quarterly returns or statements with such banks.

44 Figures for the previous year have been regrouped / rearranged wherever necessary

For S. N. Dhawan & CO LLP
 Chartered Accountants
 Firm Registration No.: 000050N/N500045

For on behalf of Board of Directors of
 Thales Reliance Defence Systems Limited

Pankaj Walia
 Partner
 Membership No.509590

Rajesh K Dhingra
 Director
 DIN:03612092

Alok Malik Anand
 Chief Executive Officer

Pankaj Kriplani
 Chief Financial Officer

Dheeraj Sachdeva
 Company Secretary

Place: Gurugram
 Date: April 28, 2023

Place: New Delhi
 Date: April 28, 2023

Place: Nagpur
 Date: April 28, 2023

Place: Nagpur
 Date: April 28, 2023

Place: New Delhi
 Date: April 28, 2023