1 (i) Corporate Information

Su-Kam Power Systems Limited ("the Company") is a closely held public company domiciled in India and was incorporated in the year 1998 under the provisions of Companies Act, 1956 superseded by the Companies Act, 2013.

The Company is integrated conglomerate, primarily engaged in manufacture of home inverters/UPS, High Capacity Inverters, Commercial, Online & Line interactive UPSs catering to capacities up to 500 KVA. The company also specializes in manufacturing lead acid, tubular, SMF, tall tubular & automotive batteries, battery equalizers, battery management systems. Products in the solar range include solar inverters, off-grid systems, grid-tie inverters, solar charge controllers - PWM and MPPT, power conditioning units, solar lighting systems etc.

The company has three manufacturing units out of which two units namely Katha batteries Plant (Plot no. 7) and Baddi (Plot no. 44) located in Baddi state of Himachal Pradesh and one unit situated at Gurgaon (Haryana).

Registration details

Registration No. CIN No. U64201DL1998PLC096685
These financials statements are presented in Inidan Rupees (Rs)

(ii) Going Concern Assumption

As on the balance sheet date the accumulated losses of the company is Rs. 2478.66 Lakhs which has eroded 100% of the of share capital. The Company is taking necessary steps towards improvement in profitability through better utilization of its production facilities, cost reduction activities, increasing product range, increasing product visibility among end customer by ad-spend, possible monetization of currently unutilized land & building.

In addition, the promoters of the company have assured to support the company for all cash flow requirements in the future including being open to induct a strategic or financial investor in the company to shore up its resources. The financial statements have, therefore, been prepared on a going concern basis.

2 Significant accounting policies

i) Basis of preparation

The Financial statements of the Company are prepared under the historical cost convention using accrual method of accounting and comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Company (Accounts) Rules, 2014 & the Companies (Accounting Standards) Amendment Rules, 2016 as amended and the relevant provisions of the Companies Act, 2013 unless stated otherwise hereinafter. Accounting policies not specifically referred to, are consistent with Generally Accepted Accounting Principles in India.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

ii) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results & estimates are recognized in the period in which the results are known/ materialized.

iii) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and accumulated impairment losses, if any. Cost is inclusive of freight, duties, taxes, insurance and other directly attributable costs incurred to bring the assets to their working condition for intended use and installation and are net of refundable taxes/ duties, where applicable.

iv) Intangible Assets

In accordance with the Accounting Standard AS-26 in relation to Intangible assets, these are recognized on the basis of recognition criteria as set out in the Accounting Standard.

All costs relating to Technical Knowhow/License/Patents incurred during the development phase are recognized as intangible assets to the extent that future economic benefits attributable to the assets are identifiable. All expenditure incurred during research phase is expensed in Statement of Profit and Loss.

Software which is not an integral part of the related hardware is capitalized as an intangible asset.

Capital Work in Progress (CWIP) and Assets under Development

Property, plant and equipment CWIP includes Plant and Equipment under erection, Civil works in progress and preoperative expenses pending allocation to the related assets.

Intangible Assets Under Development include

a) New product expenditure where development is in progress

b) Payments made towards fees for software licences, technical know-how, Infrastructure/logistic facilities etc., and also include all related expenditure incurred up to absorption of technology and completion of Development.

v) Depreciation/Amortization

Depreciation on fixed assets is provided on a straight line basis using the rates arrived at on the basis of useful life of assets and residual value (maximum of 5%) as prescribed in Schedule II to the Companies Act, 2013. Individual assets costing less than Rs. 5,000 is depreciated in full in the year of purchase.

Leasehold land is amortized over the period of lease.

Intangible assets are amortized on straight line basis over a period of five years being their estimated useful life except Software on which amortization is done in three years.

vi) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows identifiable with a cash generating unit are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Previously recognized impairment losses are reversed to the extent the recoverable amount exceeds the carrying amount.

vii) Leases

Where the Company is the lessee

a) Finance lease

Finance leases which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

b) Operating lease

Leases where the Lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Company is the Lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

viii) Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is recognized as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

Revenue grant is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Where the grant or subsidy relates to an asset, its value is deducted from the gross value of the asset concerned in arriving at the carrying amount of the related asset. When it relates to investment in a unit/business at a particular location, it is recognized under capital reserve.

ix) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

x) Research & Development Expenditure

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss in the year in which it is incurred. Capital expenditure on research and development is capitalized as intangible assets and amortised in accordance with the policy of the company. Amount incurred in development phase is capitalized in accordance with the principle of AS-26.

xi) Segment reporting

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products manufactured and services provided, with each segment representing a strategic business unit that offers different products. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter segment transfers

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs

Common allocable costs are allocated to each segment on reasonable basis as applicable.

Unallocated items

Include general corporate income and expense items which are not allocable to any business segment.

Segment policies

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

xii) Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 "Employee Benefits".

a) Short term Benefits:

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The cost of the benefits like salaries, wages, medical, leave travel assistance, short term compensated absences, bonus, exgratia, etc. is recognised as an expense in the period in which the employee renders the related service.

b) Post-employment benefits:

(i) Defined contribution plans: The contribution paid/payable under Provident Fund Scheme, ESI Scheme and Employee Pension Scheme is recognised as expenditure in the period in which the employee renders the related service.

(ii) Defined benefit plans: The Company's obligation towards Gratuity is a defined benefit plan. The present value of the estimated future cash flows of the obligation under such plan is determined based on actuarial valuation using the Projected Unit Credit method. Actuarial gains and losses are recognised immediately in the Profit & Loss statement. The contribution made is recognised as expense.

c) **Long Term employee benefits:** The obligation for long term employee benefits such as long term leave encashment, is determined and recognised in the similar manner stated in the defined benefit plan.

xiii) Inventories

a) Finished goods are valued at lower of cost or net realizable value. Cost includes direct materials and labour and a proportion of manufacturing & other overheads based on normal operating capacity. Cost of finished goods includes excise duty wherever applicable. Cost is determined on a weighted average basis.

b) Stores, Spares and Raw Materials are valued at lower of cost or net realizable value. However materials & other items of inventories held for use in the production are not written below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

Net realizable 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.

xiv) Excise Duty

CENVAT benefit is accounted for by reducing the purchase cost of material / Property, plant and equipment as the case may be. In respect of purchases made at Baddi/ Katha, Himachal Pradesh no CENVAT benefit is accounted for as according to notification, Baddi/Katha has been declared as Excise Free Area and no Excise Duty is being charged on final products manufactured there. Therefore excise duty component of purchase of raw material purchased at Baddi/Katha has been included in its purchase cost.

xv) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined for each category separately. Non-current investments are carried at cost on individual investment basis. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments in case of long term investments.

xvi) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from turnover (gross) are the amount that is included in the amount of turnover (gross) and not the entire amount of liability that arose during the year. Sale is net of trade discount and sales tax. In case of export sales, revenue is recognized on the basis of bill of landing and in domestic sale at the point of dispatch.

Service related revenue

Revenue in case of service contract is recognized as per the terms of service contract.

Revenue from solar business

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and as per the specific terms of contract.

Export benefits

Export benefits available under the Export Import Policy of the Government of India are accounted for in the year of export, to the extent measurable.

Dividends

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

Insurance Claim

Claims lodged with the insurance companies are accounted on accrual basis to the extent these are measurable and ultimate collection is reasonably certain.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

xvii) Foreign currency transactions/translations

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

xviii) Taxes on Income

Tax on income for the current period is determined on the basis of taxable income & tax credits computed in accordance with the provisions of the Income Tax Act 1961, and based on expected outcome of assessments/ appeals.

Deferred Tax is recognized on timing differences between the accounting income and the taxable income for the year and reversal/adjustment of earlier year deferred tax assets / liabilities which are quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. In the situations where the company is entitled to a tax holiday under the Income-tax Act, 1961, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period to the extent of the company’s gross total income. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

However, the company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reassessed at each Balance Sheet date.

MAT credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

xix) **Earnings per share**

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

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

xx) **Provisions, Contingent Liabilities and Contingent Assets.**

A provision is recognized when there is a present obligation as a result of a past event and 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 obligation. A contingent liability is recognized for:

(i) a present obligation that arises from past events but is not recognized as a provision because the possibility that an outflow of resources embodying economic benefits will be required to settle the obligation is possible.

(ii) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or

non-occurrence of one or more uncertain future events not wholly within the control of the company.

Contingent assets are neither accounted for nor disclosed in the financial statements.

xxi) **Warranty**

Warranty provision is made in the books of account on the basis of technical estimate of costs to be incurred in respect of goods sold based on past experience.

xxii) **Cash and Cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.