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LLP Identity No. AAB-7509

## INDEPENDENT AUDITORS' REPORT

To,  
The Members of  
Preferred Consumer Products Private Limited

Report on the Audit of the Ind AS Financial Statements

### Opinion

We have audited the accompanying Ind AS financial statements of **Preferred Consumer Products Private Limited** ("the Company"), which comprise the Balance sheet as at 31<sup>st</sup> March 2020, 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 Ind AS financial statements give the information required by the Companies Act, 2013 as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2020, and loss including Other Comprehensive Income, changes in equity and its cash flows for year ended on that date.

### Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Ind AS 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 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 Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Ind AS financial statements.

### 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 Annual report, but does not include the Ind AS financial statements and our auditor's report thereon.

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



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In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 Ind AS Financial Statements**

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

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

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

### **Auditors' Responsibility for the Audit of the Ind AS 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 Ind AS 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditors' 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, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, , we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder;
  - e. On the basis of written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020, from being appointed as a director in terms of Section 164(2) of the Act.
  - f. Reporting requirement under Section 143(3)(i) of the Act with respect to adequacy of internal financial over financial reporting and the operating effectiveness of such controls is not applicable to the Company for year ended 31 March 2020.
  - g. the provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended March 31, 2020;



## Suresh Surana & Associates LLP

Chartered Accountants

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

FOR SURESH SURANA & ASSOCIATES LLP

Chartered Accountants

Firm's Registration No. 121750 W / W-100010

(Rahul Singhal)

PARTNER

Membership No. 096570

UDIN:20096570AAAABH9958

Place of Signature:

Dated: 17 June 2020

**ANNEXURE A TO INDEPENDENT AUDITORS' REPORT**  
(Referred to in paragraph 1 under the heading of "Report on other legal and regulatory requirements" of our report of even date)

1.
  - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The Company has regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. Accordingly, physical verification of fixed assets was carried out in financial year 2019-2020. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no immovable properties held by the Company.
2. The Company has no inventory, accordingly paragraph 3 (ii) of the Order is not applicable.
3. The Company has granted unsecured loan to company covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is applicable to the Company.
  - (a) According to the information and explanations given to us and based on the audit procedures conducted by us, we are of the opinion that the terms and conditions of loans granted by the company to company covered in the register maintained under section 189 of the companies Act, 2013, (balance outstanding as at 31 March 2020 Rs. 7,50,573,287) is not prejudicial to the Company interest.
  - (b) *In our opinion and according to the information and explanation given to us, the aforesaid unsecured loan is repayable on demand. The schedule of repayment of principal has not been stipulated and accordingly, unable to make specific comment on the regularity of repayment of principal.*
  - (c) The amount is not overdue in respect of loans granted by the company to the company covered in the register maintained under section 189 of the Companies Act, 2013 as repayable on demand. The interest earned on loan has been realised and no reasonable steps for recovery of loan required as the same is repayable on demand.
4. In our opinion, and according to the information and explanations given to us, the Company does not have loans and investments and provided guarantees and securities during the year in terms of provisions of Section 185 of the Act and however, the Company has complied with the provisions of Section 186 of the Act in respect of the grant of loans, making investments, and providing guarantees and securities.
5. In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits during the year within the meaning of Sections 73 to 76 of the Act and the rules framed there under, to the extent notified.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Act, and are of the opinion that the company is not required to maintain cost records under section 148(1) of the Act.
7.
  - (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employee's state insurance, income tax, goods and service tax, cess and any other statutory dues, with the appropriate authorities during the year. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such



statutory dues which have remained outstanding as at 31 March 2020 for a period of more than six months from the date they became payable

- (b) According to the information and explanations given to us, there are no dues in respect of income tax and goods and service tax, which have not been deposited on account of any dispute.
8. The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
  9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loan during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
  10. According to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year.
  11. The Company is a private Limited Company. Accordingly, the provisions of Section 197 read with Schedule V to the Act are not applicable to the Company. Thus, paragraph 3(xi) of the order is not applicable to the Company.
  12. In our opinion and according to the information and explanation given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
  13. Based on our audit procedures and as per the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards. Further, in our opinion, the Company is not required to constitute audit committee under Section 177 of the Act.
  14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
  15. Based on our audit procedures and as per the information and explanations given by the management, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
  16. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

FOR SURESH SURANA & ASSOCIATES LLP

Chartered Accountants

Firm's Registration No. 121750 W / W-100010

  
(Rahul Singhal)  
PARTNER

Membership No. 096570

Place of Signature:

Date: 17 June 2020

PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED  
BALANCE SHEET AS AT 31 MARCH 2020

	Note	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	4	31,92,384	35,73,734
Intangible assets	4	1,18,005	1,31,496
Right-of-use assets	4	63,03,069	-
Financial assets			
Non current loans			
Deferred tax assets (Net)	5	2,90,296	4,66,046
<b>Total non-current assets</b>	6	-	3,79,731
		<u>99,03,754</u>	<u>45,51,007</u>
<b>Current assets:</b>			
Financial assets			
Other current financial assets			
Cash and cash equivalents	7	7,60,89,287	7,63,23,670
Other bank balances	8	1,45,71,858	44,78,645
Other current assets	9	9,00,00,000	14,00,00,000
<b>Total current assets</b>	10	92,04,058	45,15,084
		<u>18,98,65,203</u>	<u>22,53,17,399</u>
<b>Total assets</b>		<u>19,97,68,957</u>	<u>22,98,68,406</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital			
Other Equity	11	25,00,00,000	25,00,00,000
<b>Total equity</b>		<u>(6,86,25,625)</u>	<u>(2,91,56,222)</u>
		<u>18,13,74,375</u>	<u>22,08,43,778</u>
<b>Non-current liabilities</b>			
Lease liabilities			
Provisions	22	53,08,110	-
	23	4,92,841	-
		<u>58,00,951</u>	<u>-</u>
<b>Current liabilities</b>			
Financial liabilities			
Trade payables			
Other current financial liabilities	12	30,30,375	13,48,188
Lease liabilities	13	83,40,275	76,76,440
Provisions	22	12,21,786	-
<b>Total current liabilities</b>	23	1,195	-
		<u>1,25,93,631</u>	<u>90,24,628</u>
<b>Total equity and liabilities</b>		<u>19,97,68,957</u>	<u>22,98,68,406</u>

The accompanying notes 1 to 32 form an integral part of these financial statements

As per our report of even date  
For Suresh Surana & Associates LLP  
Chartered Accountants  
Firm's Registration No. 121750 W/W-100010  
  
Ravi Singh  
Partner  
Membership No.: 096570

For and on behalf of board of directors of  
Preferred Consumer Products Private Limited

  
Prashant Sethi  
Director

  
Amritanshu Khaitan  
Director

  
Deepika Bhutra  
Company Secretary

Place : Noida  
Date : 17 JUN 2020

Place : Kolkata  
Date : June 17, 2020



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2020

	Note	Current Year 31 March 2020 Rs.	Previous Period 31 March 2019 Rs.
<b>Revenue</b>			
Revenue from operations		-	-
Other income	14	1,59,01,658	1,15,18,421
<b>Total revenue</b>		<b>1,59,01,658</b>	<b>1,15,18,421</b>
<b>Other items of expenses</b>			
Employee benefits expense	15	3,07,27,714	2,43,05,319
Depreciation and amortisation expenses	4	17,32,305	2,53,186
Finance Cost	16	9,16,951	-
Other expenses	17	2,17,12,394	1,64,95,867
<b>Total expenses</b>		<b>5,50,89,364</b>	<b>4,10,54,374</b>
<b>Profit/(loss) before tax</b>		<b>(3,91,87,706)</b>	<b>(2,95,35,953)</b>
<b>Tax expense</b>			
Income tax		-	-
Deferred tax		(3,79,731)	3,79,731
<b>Total tax expense</b>		<b>(3,79,731)</b>	<b>3,79,731</b>
<b>Profit/(loss) for the period</b>		<b>(3,95,67,437)</b>	<b>(2,91,56,222)</b>
<b>Other comprehensive (loss) income</b>			
A. (i) Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit plans		-	-
B. (i) Items that may be reclassified to profit or loss			
Available-for-sale financial assets		-	-
Foreign currency exchange differences		-	-
Reclassification of foreign currency		-	-
Exchange differences		-	-
Other comprehensive (loss)/income for the financial year, net of tax		-	-
<b>Total comprehensive income for the period</b>		<b>(3,95,67,437)</b>	<b>(2,91,56,222)</b>
<b>Earning per equity share</b>			
Basic and diluted	18	(15.83)	(11.66)

The accompanying notes 1 to 32 form an integral part of these financial statements

As per our report of even date  
For Suresh Surana & Associates LLP  
Chartered Accountants  
Firm's Registration No. 121750 WVV-100010

  
Rahul Singh  
Partner  
Membership No.: 096570

For and on behalf of board of directors of  
Preferred Consumer Products Private Limited

   
Prashant Sethi      Amritanshu Khaitan  
Director              Director

  
Deepika Bhutra  
Company Secretary

Place : Noida  
Date : 17 JUN 2020

Place : Kolkata  
Date : June 17, 2020





PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020

Particulars	Share Capital Rs.	Retained Earnings Rs.	Total Rs.
Total comprehensive income for the period from 05 June 2018 to 31 March 2019	-	(2,91,56,222)	(2,91,56,222)
Issue of New shares	25,00,00,000	-	25,00,00,000
Balance as at 31 March 2019	25,00,00,000	(2,91,56,222)	22,08,43,778
Less: Rent Equalisation Reserve		98,034	98,034
Total comprehensive income/ (loss) for the year		(3,95,67,437)	(3,95,67,437)
Balance as at 31 March 2020	25,00,00,000	(6,86,25,625)	18,13,74,375

The accompanying notes 1 to 32 form an integral part of these financial statements

As per our report of even date  
For Suresh Surana & Associates LLP  
Chartered Accountants  
Firm's Registration No. 121750 W/W-100010

  
Rahul Singhal  
Partner  
Membership No.: 090570

For and on behalf of board of directors of  
Preferred Consumer Products Private Limited

  
Prashant Sethi  
Director  
  
Deepika Bhutra  
Company Secretary

  
Amritanshu Khaitan  
Director

Place : Noida  
Date : 17 JUN 2020

Place : Kolkata  
Date : June 17, 2020



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

Particulars	Current Year 2019-20 (Rs.)	Previous Period 2018-19 (Rs.)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before tax	(3,91,87,706)	(2,95,35,953)
Adjustments for:		
Interest on fixed and intercorporate deposits	(1,58,83,240)	(1,15,06,312)
Interest on overdraft	2,70,710	
Interest on lease liabilities	6,46,241	
Depreciation	5,48,692	2,53,188
Amortisation of ROU	11,83,613	
Operating Profit before working capital changes	(5,24,21,690)	(4,07,89,077)
Movement in Working Capital:		
Decrease/(increase) in other receivable	(22,87,913)	(39,62,884)
(Decrease)/increase in trade payables and other payable	29,38,092	90,24,628
CASH GENERATED FROM / (USED IN) OPERATIONS	(5,17,71,511)	(3,57,27,313)
Direct tax paid	(16,69,095)	(10,18,266)
<b>NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>(5,34,40,606)</b>	<b>(3,67,45,579)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,53,851)	(39,58,418)
Interest received	1,53,67,240	1,01,82,642
Movement in fixed deposits	5,00,00,000	(14,00,00,000)
Inter corporate deposits given	-	(7,50,00,000)
<b>NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>6,52,13,389</b>	<b>(20,87,75,776)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from shares issued during the period	-	25,00,00,000
Payment of lease liability	(14,08,860)	-
Interest on overdraft	(2,70,710)	-
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(16,79,570)</b>	<b>25,00,00,000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1,00,93,213</b>	<b>44,78,645</b>
Cash and cash equivalents at the beginning of the period	44,78,645	-
Cash and cash equivalents at the end of the period	1,45,71,858	44,78,645
Net decrease in cash and cash equivalents	1,00,93,213	44,78,645

The accompanying notes 1 to 32 form an integral part of these financial statements

As per our report of even date  
For **Suresh Surana & Associates LLP**  
Chartered Accountants  
Firm's Registration No. 121750 WVV-100010  
  
Rahul Singh  
Partner  
Membership No.: 096570

For and on behalf of board of directors of  
Preferred Consumer Products Private Limited

  
Prashant Sethi  
Director

  
Amritanshu Khaitan  
Director

  
Deepika Bhutra  
Company Secretary

Place : Kolkata  
Date : June 17, 2020

Place : Noida  
Date : 17 JUN 2020



**Preferred Consumer Products Private Limited**  
**Notes to the financial statements for year ended 31 March 2020**

**1. Reporting entity**

The Company was incorporated on 5<sup>th</sup> June 2018 in India under the Companies Act, 2013 as a Private Limited Company. The main business of the company is to import, export, buy, sale, resell, promote, trade, market all kinds of fast-moving consumer goods including tea, coffee and other beverages and any other items of a character similar or analogous to the above-mentioned items.

**2. Basis of preparation**

**Statement of compliance:**

The Ind AS financial statements have been prepared on accrual basis of accounting and comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended.

A summary of the significant accounting policies applied in the preparation of the Ind AS financial statements are as given below. These accounting policies have been applied consistently to all years presented in the financial statements

**3. Significant accounting policies**

**a) Method of accounting**

The financial statements have been prepared under historical cost convention, and on accrued basis except for assets and liabilities that are stated at fair value.

**b) Use of estimates and judgments:**

The preparation of the Ind AS financial statements requires management to make estimates, judgments and assumptions that affect the reported balances of assets and liabilities, disclosure of contingent liabilities as on the date of Ind AS financial statements and reported amounts of income and expenses during the period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Estimate, judgments and assumption are based upon management's evolution of the relevant fact and circumstances as on the date of financial statement. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

All the Assets and liabilities have been classified as current and non-current based on the company's normal operating cycle of 12 months and other criteria set out in Schedule III of the Companies Act, 2013.

**c) Revenue recognition**

The Company has applied Ind AS 115 ('Revenue from contracts with customers') which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 ('Revenue') and Ind AS 11 ('Construction Contracts'). Also, the application of IND AS-115 did not have any material impact to the financial statements of the company.



**Preferred Consumer Products Private Limited**  
**Notes to the financial statements for year ended 31 March 2020**

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services.

Revenue is measured based on the transaction price, which is the consideration, adjusted for rebate and discounts, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues.

Revenue from interest on term deposits is recognised on the time proportion method taking into consideration the amount outstanding and the applicable interest rates.

**d) Purchases**

Purchase of materials and goods is recognized on actual receipt of such goods at the factory. It is shown net of GST credit wherever applicable.

**e) Foreign currency translation**

The functional currency of the Company is the Indian Rupees as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates, respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income.

**f) Property, plant and equipment**

Property, plant and equipment (PPE) and work in progress held for use in rendering of services and supply of goods, or for administrative purpose, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes all direct cost relating to qualifying assets. When significant part of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Subsequent costs are included in the assets carrying amount or recognised as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. All other repair and maintenance cost are recognised in the statement of profit and loss as incurred.

An item of property, plant and equipment and any significant part which meets the criteria for Asset held for sale will be reclassified from property, plant and equipment is discarded or replaced, the carrying value of discarded/replaced part is derecognised. Any gain or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss on the date of retirement or disposal.

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

Spare parts, servicing equipment and standby equipment which can be used only in connection with a Property, plant and equipment and their use is expected to be irregular



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and for period more than 12 months, shall be dealt with in accordance with the Indian Accounting Standard - 16 on Property, plant and equipment.

The costs of property, plant and equipment also includes the cost, if any, of dismantling, removing the item and restoring the site, on which it is located, referred to as decommissioning, restoration and similar liabilities'.

Capital Work-in-progress comprises of the cost of property, plant & equipment that are not yet ready for their intended use at the reporting date. Capital Work-in-Progress is carried at cost, comprising direct cost, related incidental expenses and interest on borrowing to the extent attributed to them.

Depreciation on property, plant and equipment is provided as per the guidance set out in the schedule II to the Companies Act, 2013. Depreciation is charged when the asset is used for a minimum period of 15 days during the period, on written down value based on useful life of the asset and after considering a residual value as set out in schedule II to the Companies Act, 2013 referred above. The useful life of assets are:

Type of Assets	Useful Life (In years)
Office Equipment's	5
Computers	3
Furniture and fittings	10
Vehicles	8

**g) Intangible Assets**

Intangible assets comprise of software and are stated at cost less accumulated amortisation. The cost of such asset includes purchase price, other taxes and any direct attributable expenditure to bring the assets to their working condition for intended use.

The annual rates of amortization are as follows:

Computer software – 3 Years

**h) Impairment of assets**

Impairment of Assets, property plant and equipment and intangible assets are subject to impairment testing.

The carrying amount of such assets (other than (i) intangible assets not yet available for use, (ii) goodwill and (iii) other indefinite life intangible assets) is reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down through the income statement to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell off the individual asset or the cash generating unit. The 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. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the net present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit whose impairment is being measured.

Impairment losses for cash generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to the income statement to the extent that they reverse the impairment.



i) **Financial Instrument:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Classifications of financial instrument are in accordance with the substance of the contractual arrangement and as per the definitions of financial assets, financial liability and an equity instruments

**Financial Assets and investments:**

i) **Initial recognition and measurement:**

At initial recognition, the company measures a financial asset at its fair value, plus or minus, in the case of a, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

ii) **Subsequent recognition and measurement:**

Subsequent measurement of financial asset depends on the company's business model for managing the asset and the cash flow characteristics of the asset. For the purpose of subsequent recognition and measurement financial assets is classified as:

• **Debt instrument at amortised cost:**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

iii) **De-recognition:**

A financial asset is primarily derecognised i.e. removed from Company's financial statement when:

- The rights to receive cash flows from asset have expired or
- The Company has transferred its right 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 'pass-through' arrangement and either;
  - a) The Company has transferred substantially all the risks and rewards of the assets,
  - 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.



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Notes to the financial statements for year ended 31 March 2020

iv) Impairment of Financial asset:

The company assesses impairment based on expected credit losses (ECL) model to the following:

- Financial assets carried at amortised cost;

The Company follows 'simplified approach' for recognition of impairment loss allowance on Trade receivables or contract revenue receivables.

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.

The Company uses a provision matrix to determine impairment loss allowance on trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognise impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

**Financial Liabilities:**

i) Initial recognition and measurement:

All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans.

ii) Subsequent measurement:

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

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 has designated upon initial measurement recognition 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.



Preferred Consumer Products Private Limited  
Notes to the financial statements for year ended 31 March 2020

Gains or losses on liabilities held for trading are recognised in the statement of profit and 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.

Trade and other payables:

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iii) De - recognition:

A financial liability is de-recognised 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 de-recognition 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.

Offsetting of Financial Instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

j) Classification of assets and liabilities as current and non - current:

The Company presents assets and liabilities in Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- It is held primarily for the purpose of manufacturing and trading,
- Expected to be realized 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.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of manufacturing and 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.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.





**k) Equity share capital:**

Ordinary shares are classified as equity. Incremental costs net of taxes directly attributable to the issue of new equity shares will be reduced from retained earnings, net of taxes.

**l) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, on demand deposits with original maturities of three month or less and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

**m) Income Taxes**

Income tax expense comprises of current tax and deferred tax.

**i) Current tax**

Current tax is measured based on tax laws and tax rates that are enacted at the reporting date and includes any adjustments to tax payable in respect of earlier years.

**ii) Deferred tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes.

Deferred tax liability is recognised for all taxable temporary differences, except where the deferred tax arises from the initial recognition of goodwill or on an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilised.

Current tax and deferred tax are recognised in the income statement except when relates to items credited or debited directly in equity, in which case the tax is also recognised directly in equity.

**n) Critical accounting estimates, assumptions and judgements:**

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which have significant effect on the amounts recognised in the financial statements:

**i. Provisions:**

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgement to existing facts and circumstances, which can be subject to change. Since the cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances.

**ii. 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



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**Notes to the financial statements for year ended 31 March 2020**

amount is the higher of an asset's or Cash Generation unit's (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a Company of assets. Where 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 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.

**iii. Impairment of financial assets:**

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**iv. Fair Value measurement:**

The Company measures financial instrument 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 Ind AS 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



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**Notes to the financial statements for year ended 31 March 2020**

For assets and liabilities that are recognised in the Ind AS 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.

Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances. They are continually evaluated.

**o) Segment reporting**

*Business segments*

The risks and returns of the Company are affected primarily from manufacturing, sale and trading of Air Control Equipment. Therefore, the Company's business is organised as a single business segment.

*Geographic segments*

The Company's business is organized into various geographic segments. Revenues are attributable to individual geographic segments based upon the location of the customers.

*Disclosure of segment information*

The Company has identified its business segment as primary segment. Since the Company has single business segment, no separate disclosure have been made for the business segment. The Company's geographical segments are considered as secondary segments. Accordingly, the Company has made disclosure related to secondary segment as required under Indian Accounting Standard - 108 on Segment reporting

*Segment accounting policies*

All segment revenues and segment assets are directly attributable to the segments and disclosed accordingly.

The accounting policies consistently used in the preparation of the Ind AS financial statements are also applied to presentation of segment information.

**p) Contingencies**

Contingent liabilities incurred by the Company are not recognised but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity and are not recognised because it is not probable that an outflow of resources will be required to settle the obligation. Moreover, the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Company requires significant judgment.

**q) Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Company, if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice



versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

r) Lease

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- a) Leases of low value assets; and
- b) Leases with duration of 12 months or less.

Ind AS 116 was adopted 1 April 2019 without restatement of comparative figures.

The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- a) amounts expected to be payable under any residual value guarantee;
- b) the exercise price of any purchase option granted in favor of the Company if it is reasonable certain to assess that option;
- c) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- a) lease payments made at or before commencement of the lease;
- b) initial direct costs incurred; and
- c) the amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- a) if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use



obtained, the modification is accounted for as a separate lease in accordance with the above policy

- b) in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- c) if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.
- d) For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

**s) Earnings per share**

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

Diluted earnings per share is calculated by dividing the net profit or loss (after tax) for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**t) Employees benefits**

Wages, salaries, bonuses, annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Company.

The Company has two post-employment plans in operation viz. Gratuity and Provident Fund.

**Defined contribution plans**

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into funds established under Employees Provident Fund and Miscellaneous Provision Act, 1952. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature. The Company pays fixed contribution to Provident Fund at predetermined rates to the fund administered and managed by Government of India. Both the employee and the employer make monthly contributions to the plan at a predetermined rate as per the provisions of The Employees Provident Fund & Miscellaneous Provisions Act, 1952. The contributions to the fund for the year are recognized as expense and are charged to the profit or loss.



Preferred Consumer Products Private Limited  
Notes to the financial statements for year ended 31 March 2020

**Defined benefit plans**

The Company provides for gratuity, a defined benefit plan, which defines an amount of benefit that an employee will receive on separation from the Company, usually dependent on one or more factors such as age, years of service and remuneration. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation ('DBO') at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is based on the prevailing market yields of Indian government securities as at the reporting date that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The present value of DBO is calculated annually by an independent actuary using the projected unit credit method.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income.



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

4 FIXED ASSETS

i) Property, plant & equipment

Particulars	Motor Vehicles	Furniture and fixtures	Office equipment's	Computers	(Amount in Rs.)
					Total (Rs.)
<b>Cost</b>					
Additions	6,87,063	26,70,144	36,641	4,11,770	38,05,618
Deductions / Adjustments	-	-	-	-	-
As at 31 March 2019	6,87,063	26,70,144	36,641	4,11,770	38,05,618
Additions	-	-	-	1,11,695	1,11,695
Deductions / Adjustments	-	-	-	-	-
As at 31 March 2020	6,87,063	26,70,144	36,641	5,23,465	39,17,313
<b>Depreciation</b>					
Charge for the year	38,804	1,25,440	3,452	64,098	2,31,884
Deductions / Adjustments	-	-	-	-	-
As at 31 March 2019	38,804	1,25,440	3,452	64,098	2,31,884
Charge for the year	81,812	2,54,359	6,981	1,49,893	4,93,045
Deductions / Adjustments	-	-	-	-	-
As at 31 March 2020	1,20,706	3,79,799	10,433	2,13,991	7,24,929
<b>Net block</b>					
As at 31 March 2020	5,66,357	22,90,345	26,208	3,09,474	31,92,384
As at 31 March 2019	6,48,169	25,44,704	33,189	3,47,672	35,73,734

ii) Intangible assets

Particulars	(Amount in Rs.)	
	Computer software	Total
<b>Cost</b>		
Additions	1,52,800	1,52,800
Deductions / Adjustments	-	-
As at 31 March 2019	1,52,800	1,52,800
Additions	42,156	42,156
Deductions / Adjustments	-	-
As at 31 March 2020	1,94,956	1,94,956
<b>Amortisation</b>		
Charge for the year	21,304	21,304
Deductions / Adjustments	-	-
As at 31 March 2019	21,304	21,304
Additions	55,647	55,647
Deductions / Adjustments	-	-
As at 31 March 2020	76,951	76,951
<b>Net block</b>		
As at 31 March 2020	1,18,005	1,18,005
As at 31 March 2019	1,31,496	1,31,496

iii) Right of Use Assets

Particulars	(Amount in Rs.)	
	Right of Use Assets	Total
<b>Cost</b>		
Additions	-	-
Deductions / Adjustments	-	-
As at 31 March 2019	-	-
Additions	74,86,682	74,86,682
Deductions / Adjustments	-	-
As at 31 March 2020	74,86,682	74,86,682
<b>Amortisation</b>		
Charge for the year	-	-
Deductions / Adjustments	-	-
As at 31 March 2019	-	-
Additions	-	-
Deductions / Adjustments	11,83,613	11,83,613
As at 31 March 2020	11,83,613	11,83,613
<b>Net block</b>		
As at 31 March 2020	63,03,069	63,03,069
As at 31 March 2019	-	-



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

5 NON CURRENT LOANS

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Unsecured, considered good		
Others deposits for utilities		
Deferred rent expense	2,90,296	2,71,878
Total	-	1,94,168
	2,90,296	4,66,046

(i) For explanation on the company credit risk management process refer note 24.1

6 DEFERRED TAX ASSETS/(LIABILITIES)

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Differences in depreciation in block of fixed assets as per tax books and financial books	(55,342)	(63,345)
Unabsorbed loss and depreciation	1,01,61,536	72,98,632
Effect of expenditure debited to Statement of Profit and Loss but allowed for tax purposes in following years	5,46,516	4,43,079
Deferred Tax Asset not recognised in the absence of virtual certainty of future profits	1,06,52,710	76,78,363
Total	(1,06,52,710)	(72,98,632)
	-	3,79,731

7 OTHER CURRENT FINANCIAL ASSETS

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Security deposit		
Inter corporate deposit (Refer Note No. 19)	2,90,296	2,71,878
Deferred rent expense	7,55,73,287	7,50,00,000
Interest accrued but not due on bank deposits	-	1,94,168
	5,16,000	13,23,670
Loss: Non current assets	7,63,79,583	7,67,89,716
Security deposit	2,90,296	2,71,878
Deferred rent expense	-	1,94,168
Total	2,90,296	4,66,046
	7,60,89,287	7,63,23,670

(i) For explanation on the company credit risk management process refer note 24.1

8 CASH AND CASH EQUIVALENTS

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Cash in hand		
Balance with bank	39,865	17,164
Total	1,45,31,993	44,61,481
	1,45,71,858	44,78,645

(i) For explanation on the company credit risk management process refer note 24.1

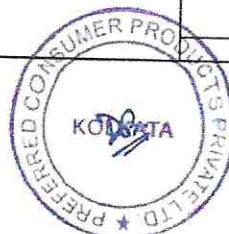
9 OTHER BANK BALANCES

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Deposits with original maturity for more than three months but less than twelve months		
Deposits with original maturity for more than twelve months but realizable within twelve months from Balance Sheet date	9,00,00,000	2,00,00,000
Total	-	12,00,00,000
	9,00,00,000	14,00,00,000

(i) For explanation on the company credit risk management process refer note 24.1

10 OTHER CURRENT ASSETS

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Balance with statutory/government authorities		
Advance recoverable in cash or kind and prepaid asset	65,07,747	34,96,818
Advance income tax and tax deducted at source (net of provision for tax)	8,950	-
Total	26,87,361	10,18,266
	92,04,058	45,15,084





PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

11 SHARE CAPITAL

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
The Company has only one class of share capital having a par value of Rs.100 each per share, referred to herein as equity share.		
<b>Authorized:</b> 2,500,000 equity shares of Rs. 100 each	25,00,00,000	25,00,00,000
<b>Issued, Subscribed and paid-up:</b> 2,500,000 equity shares of Rs. 100 each, fully paid up	25,00,00,000	25,00,00,000
	25,00,00,000	25,00,00,000

a) Reconciliation of movement in number of equity shares:

Opening balance		
Add. Equity shares issued during the period	25,00,000	-
Closing balance	-	25,00,000
	25,00,000	25,00,000

b) Terms and rights attached to equity shares:

Voting

Each holder of equity share is entitled to one vote per share held and there are no restrictions.

Dividends

The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in ensuing Annual General Meeting, except in the case where interim dividend is distributed.

c) During the previous period from 05 June 2018 to 31 March 2019, shares have been allotted as fully paid up pursuant to contract(s).

d) Shares held by the holding Company and subsidiary of the Holding Company and shareholders holding more than 5% shares in the Company.

Name of the share holders	As at March 31, 2020		As at March 31, 2019	
	No. of shares	%age holding	No. of shares	%age holding
Equity share of Rs. 100/ each, fully paid				
Universal Wellbeing Pta Limited			17,50,000	70%
Eveready Industries India Limited	7,50,000	30%	7,50,000	30%

12 TRADE PAYABLES

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
For goods and services		
Dues to micro, small and medium enterprises (refer footnote)	-	-
Dues to others	-	-
<b>Total</b>	<b>30,30,375</b>	<b>13,48,109</b>
	30,30,375	13,48,109

Footnote:

- Dues to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Development Act (MSMED), 2006
- The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro, small and medium enterprises, as defined under the MSMED Act, 2006. Accordingly, the disclosure in respect of the amounts payable if any, to such enterprises as at 31 March 2020 has been made in the financial statements based on information received and available with the Company. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.
- The Company's exposure to liquidity risk related to trade payables is disclosed in note 24.1
- Trade payables are non interest bearing and are normally settled in normal trade cycle.

13 OTHER CURRENT FINANCIAL LIABILITIES

Particulars	As at 31 March 2020 Rs.	As at 31 March 2019 Rs.
Payable for expenses		
Rent equalization reserve	73,84,910	63,22,260
Statutory dues	-	90,034
<b>Total</b>	<b>9,55,365</b>	<b>12,56,146</b>
	83,40,275	76,78,410

The management estimates the carrying amount of trade and other payables to be a reasonable approximation of fair value. Trade and other payables are unsecured and interest-free.

Balances of certain payables and advances received are subject to confirmation / reconciliation, if any. The management does not expect any material difference affecting the financial statements on such reconciliation / adjustments.

(i) For explanation on the company liquidity risk management process refer note 24.1



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

14 OTHER INCOME

Particulars	Current Year 2019-20 (Rs.)	Previous Period 2018-19 (Rs.)
Liabilities no longer required written back	-	382
Unwinding of discount on financial assets at amortised cost	18,418	11,727
Interest on intercorporate deposit	75,20,544	49,93,148
Interest on fixed deposit	83,62,696	65,13,164
<b>Total</b>	<b>1,59,01,658</b>	<b>1,15,18,421</b>

15 EMPLOYEES' BENEFITS EXPENSE

Particulars	Current Year 2019-20 (Rs.)	Previous Period 2018-19 (Rs.)
Salaries, wages and bonus	2,80,79,428	2,26,25,599
Contribution to provident and other funds	11,00,284	5,56,717
Staff welfare expenses	15,48,002	11,23,003
<b>Total</b>	<b>3,07,27,714</b>	<b>2,43,05,319</b>

16 FINANCE COST

Particulars	Current year 2019-20 Rs.	Previous period 2018-19 Rs.
Interest on overdraft	2,70,710	-
Interest on lease liabilities	6,46,241	-
	9,16,951	-

17 OTHER EXPENSES

Particulars	Current Year 2019-20 (Rs.)	Previous Period 2018-19 (Rs.)
Power and fuel	1,27,854	72,128
Travelling and conveyance	32,90,857	17,00,414
Repairs and maintenance		
- Vehicle		
- Other	2,97,625	85,637
Car hire charges	17,375	
Communication charges	-	1,36,745
Office expenses	1,89,311	1,00,068
Legal and professional fees	2,07,565	2,38,428
Rates and taxes	1,66,85,159	1,05,85,383
Rent expenses	15,750	20,34,805
Printing and stationery	-	8,94,385
Advertisement expenses	39,322	21,750
Auditor's remuneration:	1,32,000	1,00,570
- Statutory audit		
- Tax audit	1,50,000	1,50,000
- Other services	60,000	60,000
Testing Expense	63,000	63,000
Commission expenses	2,33,000	-
Miscellaneous expenses	-	1,16,708
<b>Total</b>	<b>2,17,12,394</b>	<b>1,64,95,867</b>

18 Disclosure as per Ind AS 33 on 'Earnings per Share'

Particulars	Current Year 2019-20 (Rs.)	Previous Period 2018-19 (Rs.)
Total comprehensive income as per statement of profit and loss (Rs.)	(3,95,67,437)	(2,91,56,222)
Weighted average number of equity shares outstanding during the period for basic earnings per share (No.)	25,00,000	25,00,000
Basic and diluted earnings per share (Rs.)	(15.83)	(11.66)
Nominal value of share (Rs.)	100	100



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

19 RELATED PARTY DISCLOSURES:

Related party relationships:

Holding Company	Universal Wellbeing PTE Limited
Associate Company	Eveready Industries India Limited
Key management personnel	Mr. Prashant Sethi
	Mr. Santanu Chatterjee
	Ms. Deepika Bhutra

Notes:

The related party relationship have been determined on the basis of the requirements of the Indian Accounting Standard (IAS)-24 "Related Party Disclosures" and the same have been relied upon by the auditors.

The relationships as mentioned above pertain to those related parties with whom transactions have taken place during the year, except where control exist, in which case the relationships have been mentioned irrespective of transactions with the related party

Transactions with related parties:

Particulars	Current Year 2019-20	Previous Period 2018-19
	Rs.	Rs.
Issue of share capital		
Universal Wellbeing PTE Limited	-	17,50,00,000
Eveready Industries India Limited	-	7,50,00,000
	-	25,00,00,000
Other Income		
Interest on inter corporate deposit		
Eveready Industries India Limited	75,20,544	49,93,148
Inter corporate deposit given		
Eveready Industries India Limited	-	7,50,00,000
Expenses incurred on behalf of company by:		
Eveready Industries India Limited		
Salaries, wages and bonus (CFO Remuneration)		
Rates and taxes	62,44,837	35,19,022
Professional fees	-	20,07,645
Postage and Courier	-	30,000
	-	7,857
Property, plant and equipment		
Purchase of furniture (excluding GST)	-	26,06,107
Remuneration (Including incentive)		
Key management personnel	Designation	
Mr. Prashant Sethi	WTD	87,26,632
Ms. Deepika Bhutra	CS	4,08,400
		51,90,998
		1,95,569
Legal and Professional (CFO Services)		
Key management personnel	Designation	
Mr. Santanu Chatterjee	Chief Financial Officer	7,20,091
		13,00,000
	As at 31 March 2020	As at 31 March 2019
	Rs.	Rs.
Other payables		
Eveready Industries India Ltd	18,50,806	5,35,215
Inter Corporate Deposit		
Eveready Industries India Ltd	7,50,00,000	7,50,00,000
Interest accrued and due on inter corporate deposits		
Eveready Industries India Ltd	5,73,287	-



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

20 Disclosure as per Indian Accounting Standard - 12 on 'Income taxes'

(a) Income Tax Expense

i) Income tax recognised in profit or loss

Particulars	31 March 2020	31 March 2019
Current tax expense		
Current year	-	-
Earlier year tax adjustment	-	-
Deferred tax expense/(income)	-	-
Total income tax expense	3,79,731	(3,79,731)
	3,79,731	(3,79,731)

ii) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate

Particulars	31 March 2020	31 March 2019
Profit before tax		
Tax using the Company's domestic tax rate of 26%	(3,91,87,706)	(2,95,35,953)
Deferred Tax Asset not recognised in the absence of virtual certainty of future profits	(1,01,88,804)	(76,79,348)
Others	(1,06,52,710)	(72,98,632)
At the effective income tax rate of 26%	84,175	(985)
	3,79,731	(3,79,731)

21 Disclosure as per Ind AS 108 on 'Operating segments'

Segment information is presented in respect of the company's key operating segments. The operating segments are based on the company's management and internal reporting structure.

Operating Segments

The Company's Managing Director has been identified as the Chief Operating Decision Maker ('CODM'), since he is responsible for all major decision w.r.t. the preparation and execution of business plan, preparation of budget, planning and alliance.

The main business of the company is to import, export, buy, sale, resell, promote, trade, market all kinds of fast-moving consumer goods including tea, coffee and other beverages and any other items of a character similar or analogous to the above-mentioned items. Therefore, the Company's business is organised as a single business segment, which is also considered as the primary segment for the purposes of notified Indian Accounting Standard 108, Segment Reporting.

Entity wide disclosures

A. Information about products and services

Company primarily deals in one business namely "trading in all kinds of fast-moving consumer goods ", as there is no revenue in reporting period, this disclosure is not applicable.

B. Information about geographical areas

There is no revenue in reporting period, this disclosure is not applicable.

C. Information about major customers (from external customers)

There is no revenue in reporting period, this disclosure is not applicable.



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

22 LEASE

The company has adopted modified approach as per Ind As 116 - Leases to its leases, effective from annual reporting period beginning 1st April 2019. This has resulted in recognizing a right of use assets (an amount equal to lease liability, adjusted by the prepaid lease rent) of Rs.74.86 lacs as at 1st April 2019. In the statement of profit and loss for the current period, operating lease expenses has changed from rent to depreciation cost for the right of use assets and finance cost for interest accrued on lease liability.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

Particulars

Particulars	Lease Contract Numbers	Variable Payments %	Fixed Payments %	Sensitivity
Property Leases with Fixed Payments	2	-	100%	-
	2	-	100%	-

Right of Use Assets

As at 1st April 2019

Additions

Amortization

Effect of modification to lease terms

As at 31st March 2020

Leasehold Building

74,86,682

-

(11,83,613)

-

63,03,069

Lease Obligation

As at 1st April 2019

Additions

Amortization

Effect of modification to lease terms

As at 31st March 2020

Leasehold Building

(72,92,515)

(6,46,241)

14,08,860

-

(65,29,896)

As at 31st December 2019	Upto 3 Months	3-12 Months	1-2 Years	2-5 Years	Over 5 Years
Lease liabilities	3,16,138	9,05,648	11,29,059	21,84,942	19,93,509

23.0 PROVISIONS

Provision for gratuity

Current provisions		Non-current provisions	
As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Rs.	Rs.	Rs.	Rs.
1,195	-	4,92,841	-
1,195	-	4,92,841	-



23.1 Gratuity

Defined benefit plan( Gratuity)

The Company provides for gratuity, a defined benefit plan, which defines an amount of benefit that an employee will receive on separation from the Company, usually dependent on one or more factors such as age, years of service and remuneration. The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the balance sheet date. The discount rate is based on the prevailing market yields of Indian government securities as at the reporting date that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Actuarial gains or losses and past service costs. The present value of DBO is calculated annually by an independent actuary using the projected unit credit method.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income.

The following tables summarises the components of net benefit expense recognised in the Statement of profit and loss and amounts recognised in the balance sheet for the gratuity :

Particulars	(Amount in Rs)	
	31 March 2020	31 March 2019
<b>(A) Statement of profit and loss</b>		
Employee benefit expense		
Current service cost		
Unrecognised past service cost	3,20,450	-
Net interest cost	1,73,586	-
(Gain) / losses on settlement	-	-
<b>Components of defined benefits costs recognised in profit or loss(A)</b>	<b>4,94,036</b>	<b>-</b>
Re-measurement during the period due to :		
Actuarial (gain) / loss arising from change in financial assumptions	-	-
Actuarial (gain)/ loss arising on account of experience changes	-	-
Amount recorded in Other Comprehensive Income (OCI)(B)	-	-
<b>Closing amount recognised in OCI and profit and loss [A+B]</b>	<b>4,94,036</b>	<b>-</b>

(B) Movement in defined benefit obligation is as follows:

Particulars	(Amount in Rs)	
	31 March 2020	31 March 2019
Opening defined benefit obligation		
Current service cost		
Unrecognised past service cost	3,20,450	-
Interest cost	1,73,586	-
Re-measurement during the period due to :		
Actuarial (gain) / loss arising from change in financial assumptions	-	-
Actuarial (gain)/ loss arising on account of experience changes	-	-
Benefits paid	-	-
<b>Closing defined benefit obligation</b>	<b>4,94,036</b>	<b>-</b>

The principal assumptions used in determining gratuity benefit obligation for the company's plans are shown below:

Discount rate		
Expected rate of return on plan assets (p.a.)	6.85%	-
Salary escalation rate (p.a.)	-	-
Mortality rate	5.00%	-
Mortality pre-retirement		
	Indian Assured	Indian Assured
	Lives Mortality (2006-08)	Lives Mortality (2006-08)
Attrition rate (p.a.)		

A quantitative analysis for significant assumption is as shown below:

Defined benefit obligation : Gratuity

Assumptions -Discount rate	(Amount in Rs)	
	As at 31 March 2020	As at 31 March 2019
Sensitivity Level (a hypothetical increase / (decrease) by		
Impact on defined benefit obligation -increase of sensitivity level	0.50%	-
Impact on defined benefit obligation -decrease of sensitivity level	4,57,082	-
<b>Assumptions -Future salary rates</b>	<b>5,34,543</b>	<b>-</b>
Sensitivity Level (a hypothetical increase / (decrease) by		
Impact on defined benefit obligation-increase of sensitivity level	1.00%	-
Impact on defined benefit obligation-decrease of sensitivity level	5,78,902	-
	4,21,530	-

As per Actuarial valuation sensitivities due to mortality and withdrawals are not material and hence impact of change due to these not considered

The following payments are maturity profile of Defined Benefit Obligation.

	(Amount in Rs)	
	As at 31 March 2020	As at 31 March 2019
Within the next 12 months (next annual reporting period)		
Between 2 to 5 years	1,234	-
Between 6 to 10 years	8,513	-
Beyond 10 years	25,455	-
<b>Total expected payments</b>	<b>14,50,989</b>	<b>-</b>
	14,86,191	-



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

24 Fair Value Measurements

(a) Financial instruments by category

All the financial assets and liabilities viz. deposits for utilities, cash and cash equivalents, other bank balances, interest receivable, trade payables and payable for expenses, are measured at amortised cost.

(b) Fair value hierarchy

This section explains the judgements 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 company has classified its financial instruments into the three levels prescribed under Ind As 113 "Fair Value Measurement" the accounting standard. An explanation of each level follows underneath the table.

There are no financial assets/liabilities measured at fair value/amortised cost for which Level 1 and 2 inputs have been used hence disclosure related to Level 1 and 2 inputs are not applicable.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The fair value of financial assets and liabilities included in Level 3 is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes of similar instruments.

Liabilities which are measured at amortised cost for which fair values are disclosed	Particulars	31 March 2020	31 March 2019
<b>Financial liabilities:</b>			
Financial liability	Carrying value	-	-
Financial liability	Fair Value	-	-

Assets which are measured at amortised cost for which fair values are disclosed	Particulars	31 March 2020	31 March 2019
<b>Financial assets</b>			
Security deposits for utilities	Carrying value	4,69,830	4,69,830
Security deposits for utilities	Fair Value	2,90,296	2,71,878

The fair values for security deposit for utilities were calculated based on cash flows discounted using a current fixed deposit rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

The carrying amounts of cash and cash equivalents, other bank balances, interest receivable, trade payables and payable for expenses are considered to be the same as their fair values, due to their short-term nature.



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

24.1 Financial Risk Management

The Company's principal financial liabilities comprise trade payables and other payables. The Company's principal financial assets include investments in fixed deposits, other receivables, deposits for utilities and cash and cash equivalents that derive their value directly from its operations.

This note presents information about the sources of risks to which the company is exposed to, the Company's objectives, policies and processes for measuring and managing risk.

Risk	Exposure arising from	Measurement	Management
Credit Risk	Cash and cash equivalents, financial assets measured at amortised cost.	Credit Rating	Diversification of bank deposits.
Liquidity risk	Trade payables and other financial liabilities.	Cash flow forecasts	Maintaining adequate funds in the form of cash and bank balances and monitoring expected cash inflows on trade receivables.

Risk management framework

The Company's activities makes it susceptible to various risks. The Company has taken adequate measures to address such concerns by developing adequate systems and practices. The Company's overall risk management program focuses on the unpredictability of markets and seeks to manage the impact of these risks on the Company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has policies covering specific areas, such as interest rate risk, foreign currency risk, other price risk, credit risk, liquidity risk, and the use of derivative and non-derivative financial instruments. Compliance with policies and exposure limits is reviewed on a continuous basis.





PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

24.2 Financial Risk Management (contd...)

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the Company. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks. Credit risk arises principally from trade receivables, loans & advances, cash & cash equivalents and deposits with banks and financial institutions.

**Cash and cash equivalents**

The Company held cash and cash equivalents of Rs. 14,571,858 (As on 31st March 2019 Rs.4,478,645). The cash and cash equivalents are held with scheduled banks.

**Deposits with banks**

"The company held deposits and interest on same with banks of Rs. 90,516,000 (As on 31st March 2019 Rs. 141,323,670) In order to manage the risk, the Company invest only with scheduled banks "

**(i) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Particulars	31 March 2020	31 March 2019
Financial assets for which loss allowance is measured using 12 months Expected Credit Losses (ECL)		
Non current loans		
Cash and cash equivalents	2,90,206	4,66,046
Deposits with banks	1,45,71,858	44,78,645
Other current financial assets	9,00,00,000	14,00,00,000
<b>Total</b>	<b>7,60,89,287</b>	<b>7,63,23,670</b>
	<b>18,09,51,441</b>	<b>22,12,68,361</b>
Financial assets for which loss allowance is measured using Life time Expected Credit Losses (ECL)		
Trade receivables	-	-
	-	-

No impairment allowance is necessary in respect of any asset as no instances of defaults have been noticed.



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

24.3 Financial Risk Management (contd...)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due and to close out market positions. The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities over the next 1 year.

The following are the contractual maturities of non-derivative financial liabilities, based on contractual cash flows:

March 31, 2020

Contractual maturities of financial liabilities	Fair Value	Contractual cash flows					Total
		6 months or less	6-12 months	1-2 years	2-3 years	More than 3 years	
<b>Non-derivative financial liabilities</b>							
Payable for expenses	73,84,910	73,84,910	-	-	-	-	73,84,910
Trade and other payables	30,30,375	30,30,375	-	-	-	-	30,30,375
<b>Total</b>	<b>1,04,15,285</b>	<b>1,04,15,285</b>	-	-	-	-	<b>1,04,15,285</b>

March 31, 2019

Contractual maturities of financial liabilities	Fair Value	Contractual cash flows					Total
		6 months or less	6-12 months	1-2 years	2-3 years	More than 3 years	
<b>Non-derivative financial liabilities</b>							
Payable for expenses	63,22,260	63,22,260	-	-	-	-	63,22,260
Trade and other payables	13,48,188	13,48,188	-	-	-	-	13,48,188
<b>Total</b>	<b>76,70,448</b>	<b>76,70,448</b>	-	-	-	-	<b>76,70,448</b>



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

24.4 Financial Risk Management (contd...)

Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Since, the Company does not have any borrowings and investments, the interest risk and other price risk is not applicable on the Company.

Foreign currency exchange rate risk:

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit and loss and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency. Since, the Company does not have any receivables/ payables in foreign currency, the foreign currency exchange rate risk is not applicable on the Company.

25 Contingent liabilities and commitments

The Company does not have any contingent liabilities or capital commitments as on 31 March, 2020.

26 Capital Management

The Company in development stage and due to nil revenue it is difficult to assess the return on capital employed as of now.

27 Transfer pricing

The Company is required to comply with transfer pricing regulations under Section 92-92F of the Income Tax Act, 1961. The management is of the opinion that its international transactions including specified domestic transactions with its associated enterprises domiciled in India are at arm's length and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation. The transfer pricing adjustments, if any, will be made in the books of account of the following financial year.

28 Provision for Income tax

For the year ended March 31, 2020

The provision for Income-tax is based on the profits for the year ended March 31, 2020. However, the ultimate income-tax liability for the assessment year 2020-21 will be determined on the basis of taxable income of the Company for the year ended March 31, 2020.



PREFERRED CONSUMER PRODUCTS PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020

- 29 Balance of certain payables, receivables and loans and advances are subject to confirmation and reconciliation, if any. The management does not expect any material differences affecting the financial statements on such reconciliation / adjustments. In the opinion of the management, current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated. The provision for depreciation and for all known liabilities is adequate and not in excess of the amount reasonably stated.
- 30 The Company has been incurring operational losses year to year and has accumulated losses of Rs.68,625,625 as at 31 March 2020 (31 March 2019: Rs. 29,156,222) which have resulted in substantial erosion of its net worth. However, the Company does not anticipate going concern issue as it will start its operations in coming years. In view of this, financial statements do not include any adjustment relating to going concern.
- 31 The Company was incorporated on 5 June 2018 and previous year financial statements were prepared for the period 5 June 2018 to 31 March 2019. Therefore, previous year figures are not comparable.
- 32 Previous year's figures have been regrouped / reclassified wherever necessary to conform with current year's presentation.

For Suresh Surana & Associates LLP  
Chartered Accountants  
Firm's Registration No. 121750 W/W-100010



Rakul Singhal  
Partner  
Membership No.: 006670

For and on behalf of board of directors of  
Preferred Consumer Products Private Limited

Prashant Sethi  
Director

Deepika Bhutra  
Company Secretary

Amritanshu Khaitan  
Director

Place : Noida  
Date : 17 JUN 2020

Place : Kolkata  
Date : June 17, 2020

