

**Financial Statements and Independent Auditor's Report**

**Widia India Tooling Private Limited**

**June 30, 2019**

# Walker Chandiook & Co LLP

**Walker Chandiook & Co LLP**  
5th Floor, No. 65/2, Block "A",  
Bagmane Tridib, Bagmane Tech Park  
C V Raman Nagar, Bengaluru 560093  
India

## Independent Auditor's Report

To the Members of Widia India Tooling Private Limited

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## Report on the Audit of the Financial Statements

### Opinion

1. We have audited the accompanying financial statements of Widia India Tooling Private Limited ('the Company'), which comprise the Balance Sheet as at 30 June 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the period 13 December 2018 to 30 June 2019 (the "period"), and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 30 June 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the period.

### Basis for Opinion

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

### Information other than the Financial Statements and Auditor's Report thereon

4. The Company's Board of Directors is responsible for the other information. Other information does not include the financial statements and our auditor's report thereon.

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

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



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If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Reporting under this section is not applicable as no other information is obtained at the date of this auditor's report.

## **Responsibilities of Management for the Financial Statements**

5. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
6. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

7. 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 Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
8. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report on Other Legal and Regulatory Requirements

9. As required by Section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
10. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. Further to our comments in Annexure I, as required by Section 143(3) of the Act, we report that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the financial statements dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the aforesaid financial statements comply with Ind AS specified under Section 133 of the Act;
  - e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 30 June 2019 from being appointed as a director in terms of Section 164(2) of the Act;
  - f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 30 June 2019 in conjunction with our audit of the financial statements of the Company for the period ended on that date and our report dated 21 August 2019 as per Annexure II expressed unmodified;
  - g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (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 as at 30 June 2019;
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 30 June 2019;
    - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the period;



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- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker ChandioK & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

*Vijay V Singh*

**Vijay Vikram Singh**  
Partner  
Membership No.: 059139  
UDIN No.: 19059139AAAAAZ8412

Bengaluru  
21 August 2019



# Walker ChandioK & Co LLP

## Annexure I to the Independent Auditor's Report of even date to the members of Widia India Tooling Private Limited, on the financial statements for the period 13 December 2018 to 30 June 2019

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All fixed assets have not been physically verified by the management during the year, however, there is a regular program of verification once in three years, which, in our opinion, 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) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i) (c) of the Order are not applicable.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit. No material discrepancies were noticed on the aforesaid verification
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's products. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii)(a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, Goods and Service Tax, , duty of customs, duty of excise, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the period-end for a period of more than six months from the date they become payable.
  - (b) There are no dues in respect of income-tax, Goods and Service Tax, duty of customs and duty of excise that have not been deposited with the appropriate authorities on account of any dispute.
- (viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.





# Walker Chandiook & Co LLP

## Annexure I to the Independent Auditor's Report of even date to the members of Widia India Tooling Private Limited, on the financial statements for the period 13 December 2018 to 30 June 2019 (cont'd)

- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion, all transactions with the related parties are in compliance with Section 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements, as required by the applicable Ind AS. Further, in our opinion, the Company is not required to constitute audit committee under Section 177 of the Act.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiook & Co LLP  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

*Vijay V Singh*

Vijay Vikram Singh  
Partner  
Membership No.: 059139  
UDIN No.: 19059139AAAAAZ8412

Bengaluru  
21 August 2019



# Walker ChandioK & Co LLP

**Annexure II to the Independent Auditor's Report of even date to the members of Widia India Tooling Private Limited on the financial statements for the period 13 December 2018 to 30 June 2019**

## **Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the financial statements of Widia India Tooling Private Limited ('the Company') as at 30 June 2019 and for the period 13 December 2018 to 30 June 2019 (the "period"), we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

### **Management's Responsibility for Internal Financial Controls**

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

### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

### **Meaning of Internal Financial Controls over Financial Reporting**

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





# Walker Chandiook & Co LLP

Annexure II to the Independent Auditor's Report of even date to the members of Widia India Tooling Private Limited on the financial statements for the period 13 December 2018 to 30 June 2019 (cont'd)

## Inherent Limitations of Internal Financial Controls over Financial Reporting

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

## Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 30 June 2019, based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

*Vijay V Singh*

**Vijay Vikram Singh**  
Partner  
Membership No.: 059139  
UDIN No.: 19059139AAAAAZ8412

Bengaluru  
21 August 2019



# Widia India Tooling Private Limited

## Balance Sheet as at June 30, 2019

(All amounts in ₹ millions unless otherwise stated)

	Notes	As at June 30, 2019
<b>I. ASSETS</b>		
<b>1. Non-current assets</b>		
(a) Property, plant and equipment	3	2.92
(b) Deferred tax assets (net)	4	2.95
<b>Total non-current assets</b>		<b>5.87</b>
<b>2. Current assets</b>		
(a) Inventories	5	60.24
(b) Financial assets		
(i) Trade receivables	6(a)	369.90
(ii) Cash and cash equivalents	6(b)	199.97
<b>Total current assets</b>		<b>630.11</b>
<b>Total assets</b>		<b>635.98</b>
<b>II. EQUITY AND LIABILITIES</b>		
<b>1. Equity</b>		
(a) Equity share capital	7	0.10
(b) Other equity	8	40.26
<b>Total equity</b>		<b>40.36</b>
<b>2. Liabilities</b>		
<b>Non-current liabilities</b>		
(a) Provisions	9	1.65
<b>Total non-current liabilities</b>		<b>1.65</b>
<b>Current Liabilities</b>		
(a) Financial liabilities		
(i) Borrowings	10A	350.00
(ii) Trade payables	10B	-
Total outstanding dues of micro enterprises and small enterprises		196.56
Total outstanding dues of creditors other than micro enterprises and small enterprises		8.29
(iii) Other financial liabilities	10C	11.28
(b) Provisions	9	10.17
(c) Current tax liabilities (net)	11	17.67
(d) Other current liabilities	12	593.97
<b>Total current liabilities</b>		<b>593.97</b>
<b>Total equity and liabilities</b>		<b>635.98</b>

The accompanying notes are the integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

For Walker Chandio & Co LLP  
Chartered Accountants  
Firm Registration Number: 001076N/N500013

*Vijay V Singh*

Vijay Vikram Singh  
Partner  
Membership Number: 059139  
Bengaluru  
August 21, 2019

For and on behalf of Board of Directors of  
Widia India Tooling Private Limited

*Bhagya Chandra Rao*

Bhagya Chandra Rao  
Chairman  
DIN - 00211127  
Bengaluru  
August 21, 2019

*Prashant*

Prashant Ramesh Shetty  
Director  
DIN - 08302994  
Bengaluru  
August 21, 2019



## Widia India Tooling Private Limited

### Statement of Profit and Loss for the period ended June 30, 2019

(All amounts in ₹ millions unless otherwise stated)

	Notes	Period ended June 30, 2019
<b>INCOME</b>		
Revenue from operations	13	514.67
Other income	14	0.13
<b>Total income</b>		<b>514.80</b>
<b>EXPENSES</b>		
Purchase of stock-in-trade		441.85
Changes in inventories of stock-in-trade	15	(60.24)
Employee benefits expense	16	27.59
Depreciation expense	17	0.32
Finance costs	18	2.40
Other expenses	19	46.75
<b>Total expenses</b>		<b>458.67</b>
<b>Profit before tax</b>		<b>56.13</b>
<b>Tax expense/ (credit)</b>		
Current tax	20	18.47
Deferred tax credit		(2.85)
<b>Total tax expense</b>		<b>15.62</b>
<b>Profit after tax for the period</b>		<b>40.51</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit plans		(0.35)
Income tax relating to above item		0.10
<b>Total other comprehensive income for the period (net of tax)</b>		<b>(0.25)</b>
<b>Total comprehensive income for the period</b>		<b>40.26</b>
<b>Earnings per equity share in ₹ [Nominal Value per share ₹ 10]</b>	28	
Basic and diluted		4,051.48

The accompanying notes are the integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker Chandio & Co LLP  
Chartered Accountants  
Firm Registration Number: 001076N/N500013

*Vijay Vikram Singh*

Vijay Vikram Singh  
Partner  
Membership Number: 059139  
Bengaluru  
August 21, 2019

For and on behalf of Board of Directors of  
Widia India Tooling Private Limited

*Bhagya Chandra Rao*

Bhagya Chandra Rao  
Chairman  
DIN - 00211127  
Bengaluru  
August 21, 2019

*Prashant Ramesh Shetty*

Prashant Ramesh Shetty  
Director  
DIN - 08302994  
Bengaluru  
August 21, 2019



**Widia India Tooling Private Limited**  
**Statement of Changes in Equity for the period ended June 30, 2019**

(All amounts in ₹ millions unless otherwise stated)

**(A) Equity Share Capital**

Changes in equity share capital during the period (refer note 7)  
 Balance as at June 30, 2019

Amount
0.10
0.10

**(B) Other equity**

Profit for the period  
 Other comprehensive Income  
**Total comprehensive income for the period**

Retained earnings	Total
40.50	40.50
(0.25)	(0.25)
<b>40.26</b>	<b>40.26</b>
<b>40.26</b>	<b>40.26</b>

Balance as at June 30, 2019

The accompanying notes are the integral part of the financial statements.

This is the Statement of Change in Equity referred to in our report of even date.

For **Walker Chandio & Co LLP**  
 Chartered Accountants  
 Firm Registration Number: 001076N/N500013

*Vijay V Singh*

**Vijay Vikram Singh**  
 Partner  
 Membership Number: 059139  
 Bengaluru  
 August 21, 2019

For and on behalf of Board of Directors of  
**Widia India Tooling Private Limited**

*Bhagya Chandra Rao*

**Bhagya Chandra Rao**  
 Chairman  
 DIN - 00211127  
 Bengaluru  
 August 21, 2019

*Prashant*

**Prashant Ramesh Shetty**  
 Director  
 DIN - 08302994  
 Bengaluru  
 August 21, 2019



**Widia India Tooling Private Limited**  
**Statement of Cash Flows for the period ended June 30, 2019**  
(All amounts in ₹ millions unless otherwise stated)

	Period ended June 30, 2019
<b>Cash flow from operating activities</b>	
Profit before taxation	56.12
<b>Adjustments for:</b>	
Depreciation expense	0.32
Provision for product support charges	2.34
Interest expense	2.40
Unrealised foreign exchange gain (net)	(0.00)
<b>Operating profit before working capital changes</b>	<b>61.18</b>
Adjustment for working capital changes:	
Increase in inventories	(60.24)
Increase in trade and other receivables	(369.90)
Increase in other liabilities and provisions	232.77
<b>Cash generated from operations</b>	<b>(136.19)</b>
Taxes paid (net of refunds)	(8.30)
<b>Net cash generated from operations (1)</b>	<b>(144.49)</b>
<b>Cash flow from investing activities</b>	
Purchase of property, plant and equipment	(3.24)
Issue of share capital	0.10
<b>Net Cash used in investing activities (2)</b>	<b>(3.14)</b>
<b>Cash flow from financing activities</b>	
Loan from holding company	350.00
Interest paid	(2.40)
<b>Net Cash used in Financing activities (3)</b>	<b>347.60</b>
<b>Net increase in cash and cash equivalents (1+2+3)</b>	<b>199.97</b>
Add: Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<b>199.97</b>
<b>Cash and Cash equivalent as per above comprises of the following</b>	
Cash and Cash equivalent (refer note.6(b))	199.97
<b>Balance as per Statement of Cash Flows</b>	<b>199.97</b>

The accompanying notes are the integral part of the financial statements.

**Note:**

The Statement of cash flow has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

Also refer "Net debt reconciliation" as given in note 26.

This is the Statement of cash flow referred to in our report of even date.

For Walker ChandioK & Co LLP  
Chartered Accountants  
Firm Registration Number: 001076N/N500013

*Vijay V Singh*

Vijay Vikram Singh  
Partner

Membership Number: 059139  
Bengaluru  
August 21, 2019

For and on behalf of Board of Directors  
Widia India Tooling Private Limited

*Bhagya Chandra Rao*

Bhagya Chandra Rao  
Chairman  
DIN - 00211127  
Bengaluru  
August 21, 2019

*Prashant*

Prashant Ramesh Shetty  
Director  
DIN - 08302994  
Bengaluru  
August 21, 2019





# Widia India Tooling Private Limited

## Notes to the financial statements

(All amounts in ₹ millions unless otherwise stated)

### 1 Background

Widia India Tooling Private Limited ("the Company") incorporated under the Companies Act, 2013 on December 13, 2018, is in the business of trading of hard metal products. The Company has its warehouse in Bengaluru and operates through sales and support offices. The Company is a wholly owned subsidiary of Kennametal India Limited ("the Holding Company") domiciled in India and has its registered office at 8/9th Mile, Tumkur Road, Bengaluru 560 073. The financial statements for the period December 13, 2018 to June 30, 2019 (the "period") were approved for issue by Company's board of directors on August 21, 2019.

### 2 Significant accounting policies

#### 2.1 Basis of preparation :

##### (i) Compliance with Ind AS :

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements.

##### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities are measured at fair value;
- Assets held for sale- measured at fair value less cost to sales;
- Defined benefit plans- plan assets measured at fair value; and
- Share based payments- measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

##### (iii) Current / non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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 and cash equivalents. The Company has evaluated and considered its operating cycle as 12 months.

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

#### 2.2 Significant estimates, judgements and assumptions

The application of accounting standards and policies requires the Company to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Company considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Company's financial condition or operating performance.

The areas involving critical estimates are:

##### (i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

##### (ii) Evaluation of indicators for impairment of assets

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.2 Significant estimates, judgements and assumptions (cont'd)

##### (iii) Recoverability of advances / receivables

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

##### (iv) Useful lives of depreciable / amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

##### (v) Estimate of product support

At each balance sheet date basis the management judgment and historical trend, the Company assesses the requirement of provisions. However, the actual future outcome may be different from the judgment. The company provides a standard warranty of 12 months from the date of sales.

##### (vi) Estimation of defined benefit obligation

Measurement of obligation towards defined benefit plans such as gratuity and provident fund are based on the actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Significant assumptions include determination of discount rate, future salary increases etc. Due to complexities involved in the valuation & its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 9).

##### (vii) Material return provision

The Company recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale.

##### (viii) Customer loyalty programme

The Company recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

#### 2.3 Revenue recognition

The Company derives revenues primarily from sale of manufactured goods, traded goods and related services.

In March 2018, Ministry of Corporate Affairs ("MCA") had notified Ind AS 115, 'Revenue from Contract with Customers', replacing the existing revenue recognition standards Ind AS 18, 'Revenue'. As per the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard is effective for annual periods beginning on or after 1 April 2018.

Revenue is recognised on satisfaction of performance obligation 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 at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates. The revenue is recognised as point in time basis on transfer of goods from the company premises.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Company operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The Company recognises provision for sales return, based on the group policy, measured on net basis of the margin of the sale. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

#### 2.4 Other income

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

#### 2.5 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of Profit or Loss during the reporting period in which they are incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

#### Depreciation method, useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life of the assets which are different from useful life indicated in Schedule II of Companies Act, 2013, in order to reflect the actual usage of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Particulars	Estimated range of useful life (in years)
Plant and machinery:	
Data processing equipment	3 - 5
Office equipment	5

Schedule II requires the Company to identify and depreciate significant components with different useful lives separately. The Company has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, plant and equipment, and Schedule II of the Companies Act, 2013. The management has evaluated the requirement of schedule II and has not identified any significant component having different useful lives.

#### 2.7 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Statement of Profit and Loss.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### 2.8 Inventories

Inventories include traded goods, which are stated at the lower of cost and net realisable value. Cost of traded goods comprises cost of purchases. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of on the basis of weighted average. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.9 Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates. ('the functional currency'). The financial statements are presented in Indian rupee ₹, which is the Company's functional and presentation currency.

##### (ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates that approximate the actual rates at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Statement of Profit or Loss.

All other foreign exchange gains and losses are presented in the Statement of Profit and Loss on a net basis within other income/other expenses.



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.10 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

##### Defined benefit plan

###### Provident Fund

Eligible employees of the Company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government.

###### Gratuity

The Company provides for gratuity, a defined benefit plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees a retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India and HDFC Life Insurance Company Limited as permitted by Indian law.

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined liability / (asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the Statement of Profit and Loss.

##### Other long-term employee benefit obligations

###### Compensated absences

The Company provides benefit of compensated absences under which unavailed leave are allowed to be accumulated to be availed in future. The compensated absences comprises of vesting benefit. The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs.

Further, as required under Ind AS compliant Schedule III, the Company transfers those amounts recognized in other comprehensive income to retained earnings in the statement of changes in equity and in the balance sheet.

##### Long term service awards

Certain employees of the Company are entitled to other long-term benefits in the nature of long term service awards as per the policy of the Company. Liability for such benefits is provided on the basis of an independent actuarial valuation using the projected unit credit method at the balance sheet date.

##### Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

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## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.11 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the company operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets (DTA) are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal period income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

#### 2.12 Provisions and contingent liabilities

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

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## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.13 Financial instruments

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

##### Financial assets

###### Initial recognition

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

###### Subsequent measurement

###### (i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. 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 Statement of 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.

###### (ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

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

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit or loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income.

###### (iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

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

##### Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109 'Financial Instruments'. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

##### Financial liabilities

###### Initial recognition

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These instruments are classified as amortised cost.

###### Subsequent measurement

These liabilities includes deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

###### (i) Financial liabilities at fair value through profit or loss

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

###### (ii) Gains or losses on liabilities held for trading are recognised in the profit or loss

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



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.13 Financial instruments (cont'd)

##### Derecognition

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

##### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

When forward contracts are used to hedge forecast transactions, the group generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in Statement of Profit and Loss.

#### 2.14 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

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, life time ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

#### 2.15 Fair value measurement

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

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

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

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

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

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

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



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### 2.17 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of dilutive potential equity shares, if any.

#### 2.18 Standards issued but not effective:

At the date of authorisation of the financial statements, the following standard which have not yet been applied in the financial information were in issue but not yet effective.

##### (a) Ind AS 116, Leases

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

##### Full retrospective:

Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

##### Modified retrospective:

Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or;

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods.

The Company is in the process of evaluating the effect of adoption of Ind AS 116 and has proposed to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (July 01, 2019). Accordingly, comparatives for the year ended June 30, 2019 will not be retrospectively adjusted.

##### (b) Ind AS 12, Income Taxes

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The effective date of application of this amendment is annual period beginning on or after 1 April 2019. The Company does not expect this amendment to have any impact to the financial statements.

##### Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments

On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

##### The standard permits two possible methods of transition:

Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in accounting estimates and Errors, without using hindsight and;

Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 1 April 2019. The Company does not expect any impact to the financial statements on adoption of Ind AS 12 Appendix C.

##### (c) Ind AS 19, Employee Benefits – plan amendment, curtailment or settlement

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The effective date for application of this amendment is annual periods beginning on or after 1 April 2019. The Company does not expect any impact to the financial statements on account of this amendment.



**Widia India Tooling Private Limited**  
**Notes to the financial statements (cont'd)**  
(All amounts in ₹ millions unless otherwise stated)

**3 Property, plant and equipment**

Particulars	Plant and machinery		Total
	Office equipment	Data processing equipment	
<b>Gross block</b>			
Additions during the period	0.41	2.83	3.24
<b>Gross block as at June 30, 2019</b>	<b>0.41</b>	<b>2.83</b>	<b>3.24</b>
<b>Accumulated depreciation</b>			
Depreciation charge for the period	0.03	0.29	0.32
<b>Accumulated depreciation as at June 30, 2019</b>	<b>0.03</b>	<b>0.29</b>	<b>0.32</b>
<b>Net block</b>			
<b>As at June 30, 2019</b>	<b>0.38</b>	<b>2.54</b>	<b>2.92</b>

**4 Deferred tax assets (net)**

Particulars	Credit to Statement of Profit and Loss	Credit to other comprehensive income	As at
			June 30, 2019
<b>Deferred Tax Assets:</b>			
Gratuity, leave encashment, long service award	2.86	0.10	2.96
<b>Deferred Tax Liabilities:</b>			
Depreciation	(0.01)	-	(0.01)
<b>Closing Balance</b>	<b>2.85</b>	<b>0.10</b>	<b>2.95</b>

**5 Inventories**

Particulars	As at June 30, 2019
Traded goods (Including goods in transit ₹ 6)	60.24
<b>Total inventories</b>	<b>60.24</b>

Amounts recognised in Statement of Profit and Loss:  
Write-downs of inventories to net realisable value amounted to ₹ NIL.

**6 Financial Assets**

**6(a) Trade receivables**

Particulars	As at June 30, 2019
Trade receivables	359.78
Receivable from related parties (refer note 25)	10.12
<b>Total trade receivables</b>	<b>369.90</b>
<b>Break-up of security details</b>	
Secured, considered good*	107.55
Unsecured, considered good	262.35
Trade receivables which have significant increase in credit risk	-
Trade receivables - credit impaired	-
<b>Total</b>	<b>369.90</b>

\*Secured against bank guarantee

**6(b) Cash and cash equivalents**

Particulars	As at June 30, 2019
Cheques, drafts on hand	13.16
Balances with banks - in current accounts	186.81
<b>Total cash and cash equivalents</b>	<b>199.97</b>

There are no repatriation restriction with regard to cash and cash equivalent at the end of the reporting period.





**Widia India Tooling Private Limited**  
**Notes to the financial statements (cont'd)**

(All amounts in ₹ millions unless otherwise stated)

**7 Equity share capital**

Particulars	As at June 30, 2019
<b>Authorised</b>	
2,00,000 Equity Shares of ₹ 10 each	2.00
<b>Issued, subscribed and fully paid up</b>	
10,000 Equity Shares of ₹ 10 each	0.10
<b>Total equity share capital</b>	<u>0.10</u>

**a) Reconciliation of number of shares**

Particulars	As at June 30, 2019	
	Number of shares	Amount
Add: Issued and subscribed during the period	10,000	0.10
Balance at the end of the period	<u>10,000</u>	<u>0.10</u>

**(b) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held.

**(c) Shares held by holding company and fellow subsidiary**

Particulars	As at June 30, 2019	
	Number of shares	Amount
Kennametal India Limited, the holding company	9,999	0.10
Kennametal Shared Services Private Limited, the fellow subsidiary	1	0.00

**(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

Particulars	As at June 30, 2019	
	Number of shares	Percentage
Kennametal India Limited, the holding company	9,999	99.99%

**8 Other equity**

Particulars	As at June 30, 2019
Retained earnings	40.26
<b>Total reserves and surplus</b>	<u>40.26</u>

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## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 9 Provisions

Particulars	As at June 30, 2019	
	Current	Non-current
<b>Provisions for employee benefit</b>		
Gratuity (refer note A)	0.08	1.53
Compensated absences (refer note B)	8.86	-
Long service award	-	0.12
<b>Other provisions</b>		
Product support (refer note a)	2.34	-
<b>Total provision</b>	<b>11.28</b>	<b>1.65</b>

#### a) Product support

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	As at June 30, 2019	
	Current	Non-current
Addition during the period	2.34	-
<b>Balance as at June 30, 2019</b>	<b>2.34</b>	<b>-</b>

#### A) Defined benefit obligation (Gratuity - Funded)

The Company operates a gratuity plan through the "KENNAMETAL INDIA LIMITED EMPLOYEES' GRATUITY TRUST". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at time of separation from the Company or retirement, whichever is earlier. The benefits vest after 5 years of continuous service. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

#### i) Details of defined benefit obligation

Particulars	As at June 30, 2019
<b>Defined benefit obligation</b>	
a. Current service cost	0.41
b. Interest expenses	0.14
c. Transfer in liability*	7.00
<u>Add/(Less) Remeasurement (gain)/loss</u>	
a. Due to experience adjustments	0.35
<b>Defined benefit obligation at end of period</b>	<b>7.90</b>

\* During the period, few employees have transferred from Kennametal India Limited to the Company with related liability and plan assets.

#### ii) Details of plan assets

Particulars	As at June 30, 2019
<b>Fair value of plan assets</b>	
a. Investment income	0.10
b. Employer contribution	0.65
c. Benefit payments from employer	-
d. Transfer in asset	5.55
Remeasurements:	
a. Returns on assets (excluding interest income)	-
<b>Fair value of plan assets at end of period</b>	<b>6.30</b>

#### iii) Assets and liabilities recognised in the Balance Sheet:

Particulars	As at June 30, 2019
Present value of defined benefit obligations	7.90
(Less): Fair value of plan assets	(6.30)
<b>Deficit</b>	<b>1.60</b>



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 9 Provisions (cont'd)

##### A) Defined benefit obligation (Gratuity - Funded) (cont'd)

##### iv) Expense recognised in the Statement of Profit and Loss

Particulars	As at June 30, 2019
<b>Remeasurement of other long term benefits</b>	
a. Current service cost	0.41
<b>Total Service cost</b>	<b>0.41</b>
Net interest cost	
a. Interest expenses on Defined benefit obligation	0.14
b. Interest income on plan assets	(0.10)
<b>Total net interest cost</b>	<b>0.04</b>
<b>A. Defined benefit cost included in Statement Profit and Loss</b>	<b>0.44</b>
<b>Remeasurement (recognised in Other comprehensive income (OCI))</b>	
a. Due to change in demographic assumptions	-
b. Due to change in financial assumptions	-
c. Due to experience adjustments	0.35
<b>B. Total remeasurement in OCI</b>	<b>0.35</b>
<b>Total defined benefit cost recognised in Statement Profit and Loss and OCI</b>	<b>0.79</b>

##### v) Major category of plan asset as % of total plan assets

Particulars	As at June 30, 2019
Government Bonds	0%
PSU	0%
Mutual Funds	0%
Deposits with Banks and FIs	0%
Others : Funds managed by insurer	100%

##### vi) Significant actuarial assumptions

Particulars	As at June 30, 2019
Discount rate per annum	7.10%
Expected return on plan assets	7.10%
Expected salary increase per annum	5%
Mortality rate per annum	100%
Withdrawal (rate of employee turnover)	4.50%
Retirement age	58 years

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

##### vii) Sensitivity analysis

###### Gratuity

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The actuarial assumptions to which the benefit obligations results are particularly sensitive to are discount rate, salary escalation rate, attrition rate and mortality rate. The following table summarizes impact on the reported defined benefit obligation arising on account of an increase or decrease in the reported assumptions.

Particulars	Change in assumption	As at June 30, 2019	
		Increase/ (decrease) in liability	Increase/ (decrease) in liability
Discount rate	+1% / -1%	(0.60)	0.69
Salary rate	+1% / -1%	0.69	(0.61)
Attrition rate	+50% / -50%	0.13	(0.19)
Mortality rate	+10% / -10%	0.00	(0.00)

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation assuming there are no other changes in market condition as at the balance sheet date.

##### viii) The weighted average duration of the defined benefit obligation is 8 years. The expected maturity analysis of undiscounted gratuity is as below:

Particulars	1 year	2-5 year	6-10 year	More than 10 years	Total
Gratuity June 30, 2019	0.37	4.98	1.89	8.83	16.07



## Widia India Tooling Private Limited Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

### 9 Provisions (cont'd)

#### A) Defined benefit obligation (Gratuity - Funded) (cont'd)

##### ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

##### a Interest rate risk

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability as shown in financial statements.

##### b Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of employees in future. Deviation in the rate of interest in future for employees from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

##### c Demographic risk

The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

##### d Liquidity risk

The Company does not perceive any liquidity risk as the Company has investments in Government Securities and Corporate Bonds offers the best returns over the long term, within an acceptable level of risk.

#### B) Compensated absences

The leave obligation cover the Company's liability for sick and earned leave. The amount of the provision of ₹ 8.86 is presented as current, since the Company doesn't have an unconditional right to defer settlement for any of these obligations.

### 10 Financial liabilities

#### 10A Borrowings

Particulars	As at June 30, 2019	
	Current	Non-current
Unsecured		
Working capital loan repayable on demand (refer note a)	350.00	-
<b>Total borrowings</b>	<b>350.00</b>	<b>-</b>

a) The Company has availed working capital loan from holding company with a repayment period of 2 years at interest rate of 8.7% p.a. (MCLR+0.5%) towards working capital requirement (refer note 25).

#### 10B Trade payables

Particulars	As at June 30, 2019
Due to micro and small enterprises	-
Due to creditors other than micro and small enterprises	14.50
Amounts due to related parties (also refer note 25)	182.06
<b>Total trade payables</b>	<b>196.56</b>

Trade payables includes amount dues to Micro and Small Enterprises.

Disclosure of dues/payments to Micro and Small Enterprises as defined in Micro, Small and Medium Enterprises Development Act, 2016 (MSMEDA) to the extent such enterprises are disclosed in the financial statements by the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of MSMEDA is not expected to be material.

#### 10C Other financial liabilities

Particulars	As at June 30, 2019
Employee benefits payable	6.12
Other current liability	2.17
<b>Total current financial liabilities</b>	<b>8.29</b>

#### 11 Income tax liabilities

Particulars	As at June 30, 2019
Income tax provision (net of assets of ₹ 8)	10.17
<b>Total income tax liabilities</b>	<b>10.17</b>

#### 12 Other current liabilities

Particulars	As at June 30, 2019
Advances from customers	0.44
Statutory dues	6.14
<b>Contract liabilities (refer note 2.3)</b>	<b>10.06</b>
Customer loyalty programme	1.03
Refund liabilities	1.03
<b>Total current liabilities</b>	<b>17.67</b>



**Widia India Tooling Private Limited**  
**Notes to the financial statements (cont'd)**

(All amounts in ₹ millions unless otherwise stated)

**13 Revenue from operations**

Particulars	Period ended June 30, 2019
Sale of traded goods	514.55
Sale of services	0.12
<b>Total revenue from operations</b>	<b>514.67</b>

**A) Disaggregation of revenue:**

The company operates only in traded goods and does not have any identifiable geographical segment. Thus the management is not able to disaggregate revenue for the current period.

**B) Reconciliation of Revenue from operations**

Particulars	Period ended June 30, 2019
Contract Price	527.00
Less:-	
Sales returns	(1.03)
Annual turnover discount	(10.06)
Others	(1.24)
<b>Total revenue from operations</b>	<b>514.67</b>

**C) Assets and liabilities related to contracts with customers**

Particulars	As at June 30, 2019
<b>Contract liabilities</b>	
Advance from customers	0.44
Customer loyalty programme	10.06
Refund liability	1.03
<b>Contract assets</b>	
Trade receivable	369.90

**14 Other income**

Particulars	Period ended June 30, 2019
Exchange gain, (net) (₹ 2,446)	0.00
Miscellaneous income	0.13
<b>Total other income</b>	<b>0.13</b>

**15 Changes in Inventories of stock in trade**

Particulars	Period ended June 30, 2019
Closing stock:	
Traded goods	60.24
	<b>60.24</b>
<b>Total changes in Inventories of stock in trade</b>	<b>(60.24)</b>



**Widia India Tooling Private Limited**  
**Notes to the financial statements (cont'd)**

(All amounts in ₹ millions unless otherwise stated)

**16 Employee benefit expense**

Particulars	Period ended June 30, 2019
Salaries, wages and bonus	26.00
Contribution to provident and other funds	1.00
Gratuity	0.44
Staff welfare	0.15
<b>Total employee benefit expense</b>	<b>27.59</b>

**17 Depreciation expense**

Particulars	Period ended June 30, 2019
Depreciation on Property, plant and equipment	0.32
<b>Total depreciation expense</b>	<b>0.32</b>

**18 Finance costs**

Particulars	Period ended June 30, 2019
Interest expense	2.40
<b>Total finance costs</b>	<b>2.40</b>

**19 Other expenses**

Particulars	Period ended June 30, 2019
Rates and taxes	1.46
Insurance	0.01
Travelling and conveyance	3.12
Legal and professional (refer note a)	0.87
Communication	0.07
Directors' sitting fee	0.06
Sales promotion expenses	4.34
Forwarding and freight	0.37
Provision for product support charges	2.34
Printing and stationery	0.03
Advertisement and sales promotion	0.03
Business support services from related parties (refer note 25)	33.64
Miscellaneous expenses	0.42
<b>Total other expenses</b>	<b>46.76</b>

a) **Payments to Auditors (excluding GST) included under Legal and Professional above:**

Statutory Audit	0.30
-----------------	------

**20 Income tax expense**

Particulars	Period ended June 30, 2019
<b>(a) Income tax expense</b>	
Current tax	18.47
<b>Deferred tax credit:</b>	
Deferred tax credit	(2.85)
<b>Income tax expense</b>	<b>15.62</b>
<b>Deferred tax related to items recognised in OCI</b>	
Income tax relating to re-measurement gains on defined benefit plans	(0.10)
<b>Income tax expense reported in OCI</b>	<b>(0.10)</b>

**(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:**

Particulars	Period ended June 30, 2019
Profit for the period before tax expense	56.12
Tax at the Indian tax rate of 27.82%	15.62
<b>Tax expense</b>	<b>15.62</b>



## Widia India Tooling Private Limited Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

### 21 Contingent liabilities

The Honorable Supreme Court, has passed a decision on February 28, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Company is awaiting further clarifications in this matter in order to reasonably assess the impact on its financial statements, if any. Accordingly, the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present.

### 22 Fair value measurements

#### i) Financial instruments by category

The carrying value and fair value of financial instruments by categories as at June 30, 2019 are as follows:

Particulars	Amortised cost	Financial assets / liabilities at FVTPL	Financial assets / liabilities at FVTOCI	Carrying value	Fair value
<b>Assets:</b>					
Trade receivables [refer note 6(a)]	369.90	-	-	369.90	369.90
Cash and cash equivalents [refer note 6(b)]	199.97	-	-	199.97	199.97
<b>Total</b>	<b>569.87</b>	<b>-</b>	<b>-</b>	<b>569.87</b>	<b>569.87</b>
<b>Liabilities:</b>					
Borrowings [refer note 10A]	350.00	-	-	350.00	350.00
Trade payables [refer note 10B]	196.56	-	-	196.56	196.56
Other financial liabilities [refer note 10C]	8.29	-	-	8.29	8.29
<b>Total</b>	<b>554.85</b>	<b>-</b>	<b>-</b>	<b>554.85</b>	<b>554.85</b>

#### ii) Financial instruments by category (cont'd)

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The carrying amounts of trade receivables, cash and cash equivalents, bank deposits with more than 12 months maturity, trade payables, items falling under other financial assets and financial liabilities are considered to be the same as their fair values.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

#### iii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between the levels during the period.

#### iv) Valuation process:

The finance department of the Company includes people capable of performing valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The significant level 3 inputs for determining the fair values of security deposits and loan to employees are discount rates using a long term bank deposit rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.





## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 23 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's risk management is carried out by the Management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Company. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by Management.

The below note explains the sources of risk which the Company is exposed to and how the Company manages the risk in the financial statements:

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Ageing analysis	Diversification of bank deposits, credit limits
Liquidity risk	Other liabilities	Rolling cash flow forecasts	Availability of surplus cash and time deposits
Market risk - foreign exchange	Future commercial transactions, recognised financial assets and liabilities not denominated in Indian rupee (Rupees)	Cash flow forecasting, sensitivity analysis	Forecasting currency exchange movements and maintaining surplus cash for early settlement.

#### A Credit Risk

Credit risk arises from cash and cash equivalents, security deposits carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 369.9 as of June 30, 2019.

Assets under credit risk	As at June 30, 2019
Trade receivables	369.90
<b>Total</b>	<b>369.90</b>

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks with high credit ratings as signed by international and domestic credit rating agencies.

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India and US. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, Financial Instruments, the Company uses expected credit loss model to assess the impairment loss or gain. The provision for expected credit loss takes into account available external and internal credit risk factors including the credit ratings of the various customers and Holding Company's historical experience for customers. The Company applies the simplified approach to provide for expected credit losses prescribed by Ind AS 109, which permits the use of lifetime expected loss provision for all the trade receivables.

#### B Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Company's treasury maintains flexibility in funding by maintaining availability of required funds.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

#### Maturities of financial Liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Contractual maturities of financial liabilities

Particulars	Less than 1 year	1 - 2 years	More than 2 years	Total
<b>As at June 30, 2019</b>				
Borrowings	350.00	-	-	350.00
Other financial liabilities	8.29	-	-	8.29
Trade payables	196.56	-	-	196.56
<b>Total</b>	<b>554.85</b>	<b>-</b>	<b>-</b>	<b>554.85</b>



## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 23 Financial risk management (cont'd)

##### C. Market Risk

##### (i) Foreign currency risk

The Company is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

The risk is measured through a forecast of highly probable foreign currency on cash flows.

The Company exposure to foreign currency risk at the end of the reporting period expressed in ₹ as follows:

Particulars	Currency	As at
		June 30, 2019
		₹
<b>Financial liabilities</b>		
Trade Payables	USD	(0.46)
<b>Total financial liabilities</b>		<b>(0.46)</b>
<b>Net exposure to foreign currency risk (liability)</b>		<b>(0.46)</b>

##### Sensitivity

A reasonably possible strengthening (weakening) of the ₹, foreign currency against all other currencies at 30th June, would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

Particulars	Impact on profit before tax	
	As at June 30, 2019	
	1% Increase	1% Decrease
USD (₹ 4,635)	(0.00)	0.00
<b>Increase or (decrease) in profit or loss</b>	<b>(0.00)</b>	<b>0.00</b>

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Group's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

##### Exposure to interest rate risk related to borrowings with floating rate of interest

Particulars	As at
	June 30, 2019
Borrowings bearing floating rate of interest	350.00

##### Interest rate sensitivity

A change of 50 bps in interest rate would have following impact on profit before tax

Particulars	As at
	June 30, 2019
50bp increase - decrease in profits*	1.75
50bp increase - increase in profits*	1.75

\*Sensitivity is calculated based on the assumption that amount outstanding as at reporting dates were utilised for the whole financial year.

#### 24 Capital Management

##### Risk management

The Company's objectives when managing capital is to:

i) safeguard their ability to continue as going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and;

ii) maintain an optimal capital structure to reduce the cost of capital.

The Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Company projects cash flows in major currencies and considers the level of liquid assets necessary to meet them.

Particulars	As at
	June 30, 2019
Borrowings (refer note 10A)	350.00
Trade payables (refer note 10B)	196.56
Less: Cash and short term deposits (refer note 6b)	(199.97)
<b>Net debt</b>	<b>346.59</b>
Equity	0.10
Other Equity	40.26
<b>Capital and net debt</b>	<b>386.95</b>
Gearing ratio	90%

The Company is mainly funded through short term borrowings. The short term borrowings of the Company mainly comprises of working capital loan taken from the holding company.



# Widia India Tooling Private Limited

## Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

### 25 Related party disclosures (cont'd)

#### A) Names of related parties and description of relationship:

##### a) Parties where control exists:

- (i) Ultimate Holding Company
- (ii) Immediate holding company
- (iii) Enterprises holding, directly or indirectly, substantial interest in Kennametal India Ltd.,

Kennametal Inc, USA  
 Kennametal India Ltd.,  
 Meturit A.G. Zug, Switzerland  
 Widia GmbH, Germany  
 Kennametal Holding GmbH, Germany  
 Kennametal Europe GmbH, Switzerland  
 Kennametal Luxembourg Holding S.A.R.L  
 Kennametal Holdings , LLC, Luxembourg S.C.S  
 Kennametal Holdings Europe Inc, USA

##### b) Parties under common control with whom transactions have taken place during the period:

Fellow Subsidiaries

Kennametal Distribution Services  
 Hanita Metal Works Ltd. (P), Israel  
 Kennametal Hard Point (Shanghai)

##### c) Key Management Personnel

Prashant Ramesh Shetty- Executive Director

#### Note

- (i) The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- (ii) The above does not include related party transactions with retiral funds, as management personnel of the Company who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

#### B) Summary of the transactions with related parties is as follows

Particulars	Parties where control exists [A(a)]	Fellow subsidiaries [A(b)]	Key Managerial Personnel [A(c)]	Total
<b>a) Transactions for the period ended June 30, 2019</b>				
<b>Reimbursement of expenses (Income)</b>	<b>10.12</b>	-	-	<b>10.12</b>
Kennametal India Ltd.,	10.12	-	-	10.12
<b>Purchases</b>	<b>437.17</b>	<b>0.73</b>	-	<b>437.90</b>
<b>Purchases of capital goods</b>	<b>3.19</b>	-	-	<b>3.19</b>
Kennametal India Ltd.,	3.19	-	-	3.19
<b>Purchase of Goods- Others</b>	<b>433.98</b>	<b>0.73</b>	-	<b>434.71</b>
Kennametal Inc.,USA	14.70	-	-	14.70
Kennametal Europe GmbH, Switzerland	88.34	-	-	88.34
Kennametal India Ltd.,	330.94	-	-	330.94
Others	-	0.73	-	0.73
<b>Cross charge of expenses</b>	<b>2.40</b>	-	-	<b>2.40</b>
Kennametal India Ltd.,	2.40	-	-	2.40
<b>Managerial remuneration</b>	-	-	<b>1.47</b>	<b>1.47</b>
Prashant Ramesh Shetty Salary and allowances	-	-	1.47	1.47
<b>b) Balances as at June 30, 2019</b>				
<b>Outstanding Receivables</b>	<b>10.12</b>	-	-	<b>10.12</b>
Kennametal India Ltd	10.12	-	-	10.12
<b>Outstanding Payables</b>	<b>181.54</b>	<b>0.53</b>	-	<b>182.07</b>
Kennametal Inc.,USA	4.04	-	-	4.04
Kennametal India Ltd	146.46	-	-	146.46
Kennametal Europe Ltd.,	31.04	-	-	31.04
Others	-	0.53	-	0.53
<b>Outstanding Loan Payable</b>	<b>350.00</b>	-	-	<b>350.00</b>
Kennametal India Ltd	350.00	-	-	350.00



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## Widia India Tooling Private Limited

### Notes to the financial statements (cont'd)

(All amounts in ₹ millions unless otherwise stated)

#### 26 Net debt reconciliation

Particulars	As at June 30, 2019
Cash and cash equivalent	199.97
Current borrowings	(350.00)
<b>Net debt</b>	<b>(150.03)</b>

#### 27 Segment Information

The Company primarily operates in one business segment of trading of hard metal and hard metal products. The operations are restricted to only one geographical area i.e. India. The Company is domiciled in India and all its non-current assets are located in/relates to India. There is no single customer who has contributed 10% or more to the Company's revenue for the period ended June 30, 2019 (refer note 13).

#### 28 Earnings per equity share

Particulars	Period ended June 30, 2019
Profit attributable to equity shareholders	40.50
Weighted average number of equity shares outstanding during the period (nos.)	10,000
Nominal value of equity share (₹)	10.00
Basic and diluted earnings per share (₹)	4,050.48

As per our report of even dated attached.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

*Vijay V Singh*

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 21, 2019

For and on behalf of Board of Directors of

Widia India Tooling Private Limited

*Bhagya Chandra Rao*

Bhagya Chandra Rao

Chairman

DIN - 00211127

Bengaluru

August 21, 2019

*Prashant*

Prashant Ramesh Shetty

Director

DIN - 08302994

Bengaluru

August 21, 2019

