

Siemens Rail Automation Private Limited

Audited Financial Statements for the financial year
ended 30th September, 2019

CIN: U31200MH2003PTC259831
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INDEPENDENT AUDITOR'S REPORT

To the Members of Siemens Rail Automation Private Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

We have audited the accompanying Ind AS financial statements of Siemens Rail Automation Private Limited ("the Company"), which comprises the Balance sheet as at September 30, 2019, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at September 30, 2019, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as 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 Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

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

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

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

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Ind AS 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.
- 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 Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on September 30, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;

- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 2” to this report;
- (g) In our opinion and according to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended September 30, 2019, as no managerial remuneration has been paid/provided to the Directors;
- (h) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer note 30(a) to the Ind AS financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer note 32 to the Ind AS financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Aruna Kumaraswamy
Partner
Membership Number: 219350
UDIN: 19219350AAAACA6326

Place of Signature: Mumbai
Date: November 8, 2019

Annexure 1 referred to in paragraph 1 under the section, 'Report on Other Legal and Regulatory Requirements' of our report of even date

Re: Siemens Rail Automation Private Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification. Inventories lying with third parties have been confirmed by them as at September 30, 2019 and no material discrepancies were noticed in respect of such confirmations.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act"). Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) 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.

- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the products of the Company, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, customs duty, goods and service tax, cess and other statutory dues applicable to it. The provisions relating to employees' state insurance, sales-tax, service tax, excise duty and value added tax are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, customs duty, goods and service tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance, sales-tax, service tax, excise duty and value added tax are not applicable to the Company.
- (c) According to the information and explanation given to us, there are no dues outstanding of income tax, which have not been deposited on account of any dispute. The dues outstanding in respect to sales tax and value added tax are as follows:

Name of the statute	Nature of the dues	Amount (including interest)	Amount paid under protest	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1956	Karnataka Sales Tax	4,394,901	3,884,057	2011-2012	Assistant Commissioner of Commercial Taxes (Appeals)
Central Sales Tax Act, 1956	Karnataka Sales Tax	10,058,250	3,017,475	2014-2015	Joint Commissioner of Commercial Taxes (Appeals)
Central Sales Tax Act, 1956	Karnataka Sales Tax	25,047,198	4,000,000	2015-2016	Assistant Commissioner of Commercial Taxes (Audit)

- (viii) The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer (including debt instruments) and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the provisions of section 197 read with Schedule V of the Act are not applicable to the Company for the year ended September 30, 2019, as no managerial remuneration has been paid / provided to the Directors. Hence, reporting under clause 3(xi) is not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 188 of Act, where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly reporting under clause 3(xiii) insofar as it relates to section 177 of the Act is not applicable to the Company and hence not commented upon.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Aruna Kumaraswamy
Partner
Membership Number: 219350
UDIN: 19219350AAAACA6326

Place of Signature: Mumbai
Date: November 8, 2019

Annexure 2 to the Independent Auditor's Report of even date on the Ind AS Financial Statements of Siemens Rail Automation Private Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Siemens Rail Automation Private Limited ("the Company") as of September 30, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these financial statements.

Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

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

Opinion

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

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Aruna Kumaraswamy
Partner
Membership Number: 219350
UDIN: 19219350AAAACA6326
Place of Signature: Mumbai
Date: November 8, 2019

Siemens Rail Automation Private Limited

Balance sheet

as at 30 September 2019

(Currency : Indian rupees)

	Notes	30 September 2019	30 September 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	7,878,708	16,326,750
Capital work-in-progress		-	186,288
Other intangible assets	4	-	-
Financial assets			
- Trade receivables	5	12,080,308	12,258,035
- Other financial assets	6	10,774,710	12,562,419
Deferred tax assets (net)	7	30,900,164	32,460,470
Income tax assets (net)	8	26,669,100	23,216,153
Other non-current assets	9	73,105,940	68,429,014
		<u>161,408,930</u>	<u>165,439,129</u>
Current assets			
Inventories	10	246,292,868	114,991,996
Financial assets			
- Trade receivables	11	90,674,158	222,282,661
- Cash and cash equivalents	12	23,653,783	431,130,874
- Other bank balances	13	1,082,040,850	27,775,193
- Other financial assets	14	7,966,547	1,588,733
Contract assets	15	157,032,383	190,330,012
Other current assets	16	2,723,260	1,347,165
		<u>1,610,383,849</u>	<u>989,446,634</u>
TOTAL		<u><u>1,771,792,779</u></u>	<u><u>1,154,885,763</u></u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	648,980	648,980
Other equity	18	325,955,611	202,273,611
		<u>326,604,591</u>	<u>202,922,591</u>
Liabilities			
Non-current liabilities			
Long term provisions	19	7,234,352	7,186,117
		<u>7,234,352</u>	<u>7,186,117</u>
Current liabilities			
Financial liabilities			
- Trade payables			
Total outstanding dues of micro enterprises and small enterprises		25,927,223	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		160,203,057	297,111,461
- Other financial liabilities	20	4,710,126	4,405,237
Contract liabilities	23	1,155,205,215	594,836,547
Short term provisions	21	41,117,043	15,163,710
Other current liabilities	22	50,791,172	33,260,100
		<u>1,437,953,836</u>	<u>944,777,055</u>
TOTAL		<u><u>1,771,792,779</u></u>	<u><u>1,154,885,763</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of the financial statements
As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number:- 324982E / E300003

Chartered Accountants

For and on behalf of the Board of Directors of
Siemens Rail Automation Private Limited

per Aruna Kumaraswamy

Partner

Membership No: 219350

Tilak Raj Seth

Director

DIN : 07027068

Ritesh Khandelwal

Director

DIN : 07877939

Place : Mumbai

Date: 8 November 2019

Place : Gurgaon

Date: 8 November 2019

Siemens Rail Automation Private Limited

Statement of Profit and Loss for the year ended 30 September 2019

(Currency : Indian rupees)

	Notes	30 September 2019	30 September 2018
Income			
Revenue from contracts with customer	24	896,379,303	806,182,060
Other income	25	43,833,754	4,909,939
Total income		<u>940,213,057</u>	<u>811,091,999</u>
Expenses			
Project bought outs and other direct costs	26	543,430,128	501,391,356
Employee benefits expense	27	75,471,931	86,428,352
Finance costs	28	3,463,861	4,609,840
Depreciation and amortization expense	3 & 4	8,623,282	9,806,231
Other expenses	29	131,741,374	106,202,796
Total expenses		<u>762,730,576</u>	<u>708,438,575</u>
Profit before tax		<u>177,482,481</u>	<u>102,653,424</u>
Tax expense			
Current tax		(50,407,713)	(22,518,835)
Deferred tax charge		(1,952,025)	(6,918,140)
Total tax expense		<u>(52,359,738)</u>	<u>(29,436,975)</u>
Profit for the period		<u>125,122,743</u>	<u>73,216,449</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement gains / (losses) on defined benefit plans		(1,935,308)	1,821,276
Income tax effect		494,565	(506,679)
Total other comprehensive income for the year, net of tax		<u>(1,440,743)</u>	<u>1,314,597</u>
Total comprehensive income (comprising profit and other comprehensive income)		<u>123,682,000</u>	<u>74,531,046</u>
Basic and diluted earnings per share (in Rs.)			
(Equity shares of face value of Rs 10 each)	36	1,927.99	1,128.18

Significant accounting policies 1

The accompanying notes are an integral part of the financials statements
As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number:- 324982E / E300003
Chartered Accountants

For and on behalf of the Board of Directors of
Siemens Rail Automation Private Limited

per Aruna Kumaraswamy
Partner
Membership No: 219350

Tilak Raj Seth
Director
DIN : 07027068

Ritesh Khandelwal
Director
DIN : 07877939

Place : Mumbai
Date: 8 November 2019

Place : Gurgaon
Date: 8 November 2019

Siemens Rail Automation Private Limited

Statement of changes in equity as at 30 September 2019

(Currency : Indian rupees)

A Equity share capital (refer note 17)

	Amount
Equity shares of Rs. 10 each issued, subscribed and fully paid	
As at 30 September 2017	648,980
As at 30 September 2018	648,980
As at 30 September 2019	648,980

B Other equity (refer note 18)

	Reserves and surplus		Total
	Securities premium	Retained earnings	
Balance as at 30 September 2017	172,821,567	(45,079,002)	127,742,565
Profit for the year	-	73,216,449	73,216,449
Other comprehensive income, net	-	1,314,597	1,314,597
Total comprehensive income for the year	-	74,531,046	74,531,046
Balance as at 30 September 2018	172,821,567	29,452,044	202,273,611
Profit for the year	-	125,122,743	125,122,743
Other comprehensive income, net	-	(1,440,743)	(1,440,743)
Total comprehensive income for the year	-	123,682,000	123,682,000
Balance at 30 September 2019	172,821,567	153,134,044	325,955,611

Significant accounting policies

1

The accompanying notes are an integral part of the financials statements
As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number:- 324982E / E300003
Chartered Accountants

For and on behalf of the Board of Directors
of Siemens Rail Automation Private Limited

per Aruna Kumaraswamy
Partner
Membership No: 219350

Tilak Raj Seth Ritesh Khandelwal
Director Director
DIN : 07027068 DIN : 07877939

Place : Mumbai
Date: 8 November 2019

Place : Gurgaon
Date: 8 November 2019

Siemens Rail Automation Private Limited

Cash flow statement

for the year ended 30 September 2019

(Currency : Indian rupees)

	Notes	30 September 2019	30 September 2018
<u>Cash flow from operating activities</u>			
Profit before tax		177,482,481	102,653,424
Adjustments for:			
Finance costs	28	3,463,861	4,609,840
Provision for doubtful debts / advances, net	29	3,897,420	1,417,682
Depreciation and amortization expense	3 & 4	8,623,282	9,806,231
Unrealised exchange gain, net		(3,031,859)	(55,785)
Interest income	25	(43,833,754)	(4,909,939)
Operating profit before working capital changes		146,601,431	113,521,453
(Increase)/ decrease in working capital			
Decrease / (Increase) in inventories		(131,300,872)	(66,179,438)
Decrease / (Increase) in trade and other receivables		156,921,127	(121,031,500)
(Decrease) / Increase in trade payables and other liabilities		470,266,355	659,178,905
Decrease / (Increase) in provisions		24,066,260	5,258,500
Net change in working capital		519,952,870	477,226,467
Cash generated from operations		666,554,301	590,747,920
Direct taxes paid, net		(53,757,814)	(11,413,729)
Net cash generated from operating activities		612,796,487	579,334,191
<u>Cash flow from investing activities</u>			
Purchase of property, plant and equipments		-	(3,106,120)
Interest received		37,455,940	3,321,206
Investment in deposits with original maturity more than 3 months with bank		(2,353,500,000)	(22,000,000)
Redemption of deposits with original maturity more than 3 months with bank		1,299,234,343	1,220,661
Net cash used in investing activities		(1,016,809,717)	(20,564,253)
<u>Cash flow from financing activities</u>			
Interest paid		(3,463,861)	(4,718,025)
Inter corporate deposits taken		15,000,000	25,000,000
Repayment of inter corporate deposits taken		(15,000,000)	(175,000,000)
Net cash used in financing activities		(3,463,861)	(154,718,025)
Net increase / (decrease) in cash and bank balance		(407,477,091)	404,051,913
Cash and cash equivalents at beginning of the year		431,130,874	27,078,961
Cash and cash equivalents at the end of the year	12	23,653,783	431,130,874

Note:

The cash flow statement is prepared using the 'indirect method' set out in Ind AS 7 - Statement of Cash Flows.

Significant accounting policies

1

The accompanying notes are an integral part of the financial statements
As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number:- 324982E / E300003

Chartered Accountants

For and on behalf of the Board of Directors
of Siemens Rail Automation Private Limited

per Aruna Kumaraswamy

Partner

Membership No: 219350

Tilak Raj Seth

Director

DIN : 07027068

Ritesh Khandelwal

Director

DIN : 07877939

Place : Mumbai

Date: 8 November 2019

Place : Gurgaon

Date: 8 November 2019

Siemens Rail Automation Private Limited

Notes to the financial statements

for the year ended 30 September 2019

(Currency: Indian rupees)

Corporate Information

Siemens Rail Automation Private Limited (“the Company”) was incorporated on November 12, 2003. The Company’s parent company is Siemens Limited and ultimate parent company is Siemens AG, Germany.

The Company is engaged in the business of designing, manufacturing, integration, installation, testing, commissioning, buying and selling of integrated rail management and control products and systems including train control, signaling system, information systems, protection systems, including electronic interlocking and safety processors, trackside on-board equipments and providing maintenance, support and consultancy services in relation to the above.

1. Significant accounting policies

1.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified pursuant to section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

The financial statements have been prepared and presented under the historical cost convention, except for derivative instruments and certain other financial assets and liabilities which have been measured at fair value (refer accounting policy regarding financial instruments).

The accounting policies adopted in the preparation of financial statements are consistent for all the periods presented.

The financial statements are presented in INR, which is the functional currency.

The financial statements were authorised for issue in accordance with a resolution of Board of directors on 8 November 2019.

1.2 Current versus non-current classification

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle. Based on the nature of business and the time between 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 or non-current classification of assets and liabilities.

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

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.3 Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses, if any. The cost includes taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future economic benefits from the existing assets beyond its previously assessed standard of performance.

Depreciation on property, plant and equipment is provided on a straight-line basis over the useful lives of assets estimated by the management, taking into account the nature of the asset on technical evaluation of the useful life, which may not necessarily be in alignment with the indicative useful lives prescribed by Schedule II to the Companies Act, 2013. Such class of assets and their estimated useful lives are as under:

Assets	Estimated useful lives
Plant and equipment	5 years
Computers	3 years
Furniture and fixtures	5 years
Office equipment	5 years

Items of property, plant and equipments that have been retired from active use and are held for disposal are stated at the lower of their net book value and estimated net realizable value and are disclosed separately in the financial statements.

Capital work-in-progress includes the cost of property, plant and equipments that are not ready for use at the balance sheet date.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (Continued)

1.5 Intangible assets

Intangible assets comprises of software. Intangible assets are stated at cost of acquisition less accumulated amortisation and impairment losses, if any. These intangible assets are amortised on straight-line basis based on the following useful lives, which in management's estimate represents the period during which economic benefits will be derived from their use:

Assets	Estimated useful lives
Software	5 years

1.6 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Construction Contracts

Performance obligation in case of construction contracts is satisfied over a period of time, as the Company creates an asset that the customer control and the Company has an enforceable right to payment for performance completed to date if it meets the agreed specifications. Revenue from construction contracts is recognised under the percentage of completion by reference to the stage of completion of the contract activity. The stage of completion is measured by input method i.e. the proportion that costs incurred to date bear to the estimated total costs of a contract. The total costs of contracts are estimated based on technical and other estimates. In the event that a loss is anticipated on a particular contract, provision is made for the estimated loss. Contract revenue earned in excess of billing is reflected under as "contract asset" and billing in excess of contract revenue is reflected under "contract liabilities". Retention money receivable from project customers does not contain any significant financing element and are retained for satisfactory performance of contract.

Revenue from services

Revenue from services represents service income other than from services which are incidental to sale of products and projects. Revenue from services are recognised pro-rata over the period of contract. Revenue from services rendered over a period of time,

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.6 Revenue recognition (*Continued*)

such as annual maintenance contracts, are recognized on straight line basis over the period of the performance obligation.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

1.7 Share-based payments

Share-based payment schemes of the Company is predominantly designed as cash-settled transactions. The changes in the fair value at the end of each reporting period is recognised as employee benefits expenses with a corresponding increase in liabilities.

1.8 Inventories

Inventories comprise all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Project raw materials are valued at lower of cost and net realizable value. Costs are determined on a weighted average basis.

1.9 Leases

Where the Company is the lessee:

Leases where the lessor effectively retains substantially all the risk and benefits of ownership of the leased items are classified as operating leases. Lease payments under an operating lease, are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.10 Employee benefits

(a) Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and short term compensated absences, etc. and the expected cost of ex-gratia are recognised in the period in which the employee renders the related service.

(b) Post-employment benefits

- (i) **Defined Contribution Plans:** Benefits in the form of Provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceed the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example a reduction in future payment or a cash refund.
- (ii) **Defined Benefit Plans and other Long Term Benefits:** The Company's gratuity and medical benefit scheme are defined benefit plan. Leave wages, silver jubilee, star awards and retirement gift to employees are other long term benefits. The present value of the obligation under such defined benefit plans and other long term benefits are determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognize the obligation on a net basis.

In case of defined benefit plans, re-measurement comprising of actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) and any change in the effect of asset ceiling (wherever applicable) is recognized in other comprehensive income and is reflected in retained earnings and the same is not eligible to be reclassified to profit or loss. In case of other long term benefits, all remeasurements including actuarial gain or loss are charged to Statement of Profit and Loss

The Company recognises the changes in the following items in the net defined benefit obligation as an expense in statement of profit and loss:

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.10 Employee benefits (*continued*)

- Service cost including current service cost, past service cost and gains and losses on curtailments and settlements; and
- Net interest expense or income.

Provision for leave wages, medical benefit, silver jubilee and star awards which is expected to be utilized within the next 12 months is treated as short term employee benefits and beyond 12 months as long term employee benefits. For the purpose of presentation, the allocation between short and long term provisions has been made as determined by an actuary. Provision for gratuity is treated as short term employee benefits as the contribution towards the Life Insurance Corporation of India (LIC) is expected to be made within next 12 months.

1.11 Financial instruments

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

Financial assets

Initial recognition and measurement

On initial recognition, financial assets are recognised at fair value. In case of financial assets which are recognised at fair value through profit and loss (FVTPL), its transaction cost are recognised in the statement of profit and loss. In other cases, the transaction costs are attributed to the acquisition value of the financial asset.

Subsequent measurement

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

- (a) Financial assets at amortised cost
- (b) Financial assets including derivatives at fair value through profit or loss (FVTPL)
- (c) Financial assets at fair value through other comprehensive income (FVTOCI)

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.11 Financial instruments (*continued*)

(a) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business where the objective is to hold these assets 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.

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

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

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit and loss are immediately recognised in the statement of profit and loss.

(c) Financial Assets at fair value through other comprehensive income (FVTOCI)

Derivative instruments included in FVTOCI category are measured initially as well as at each reporting date at fair value. Movement in fair value is recognised in OCI.

Derecognition

A financial asset is primarily derecognised when:

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

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. *Significant accounting policies (Continued)*

1.11 *Financial instruments (Continued)*

On derecognition of a financial asset in its entirety, the differences between the carrying amounts measured at the date of derecognition and the consideration received is recognised in the Statement of Profit and Loss.

Impairment of financial assets

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

- (a) Financial assets that are measured at amortised cost e.g. deposits
- (b) Trade receivables or any another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables or contract revenue receivables (including Revenue earned in excess of billing). The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Impairment of financial assets (Continued)

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, twelve-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition.

then the entity reverts to recognising impairment loss allowance based on twelve-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The twelve-month ECL is a portion of

the lifetime ECL which results from default events that are possible within twelve months after the reporting date.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.11 Financial instruments (*Continued*)

ECL is the difference between net of 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 (including prepayment, extension, call and similar options) 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.

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on unsecured trade receivables (including revenue earned in excess of billing and project excess cost).

The Company does not have any purchased or originated credit-impaired financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Impairment of financial assets (*Continued*)

ECL impairment loss allowance (or reversal) recognized during the period is recognized in the statement of profit and loss. This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL), payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

On initial recognition, financial liabilities are recognised at fair value. In case of financial liabilities which are recognised at fair value through profit and loss (FVTPL), its transaction costs are recognised in the statement of profit and loss. In other cases, the transactions costs are attributed to the acquisition or issue of the value of the financial liabilities.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.11 Financial instruments (*Continued*)

Subsequent measurement

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

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

Financial liabilities which are designated for measurement at FVTPL are subsequently measured at fair value. All other financial liabilities such as deposits are measured at amortised cost using Effective Interest Rate (EIR) method.

For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts that approximates fair value due to the short maturity of these instruments.

Derecognition

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

Offsetting of financial instruments

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

1.12 Foreign currency transactions

The Company is exposed to currency fluctuations on foreign currency transactions. Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transactions.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the statement of profit and loss of the year.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. *Significant accounting policies (Continued)*

1.12 *Foreign currency transactions (continued)*

Translation

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end, are translated at the year-end at the closing exchange rate and the resultant exchange

differences are recognized in the statement of profit and loss. Non-monetary items are stated in the balance sheet using the exchange rate at the date of the transaction.

1.13 *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.

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

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

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

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

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value includes discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result from general approximation of value and the same may differ from the actual realised value.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.14 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of temporary differences between accounting income and taxable income for the year) computed in accordance with the relevant provisions of the Income Tax Act, 1961.

Current tax and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

The current tax payable is based on taxable profit for the year. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted, by the end of the reporting period. Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intend to settle the asset and liability on a net basis.

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

Deferred tax is recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are generally recognised for all deductible temporary differences to the extent it is probable that taxable profits will be available against those deductible temporary differences and can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. Significant accounting policies (*Continued*)

1.14 Taxation (*Continued*)

Minimum Alternate Tax:

According to Section 115JAA of the Income Tax Act, 1961, Minimum Alternative Tax (MAT) paid over and above the normal income tax in a subject year is eligible for carry forward for fifteen succeeding assessment years for set-off against normal income tax

liability. The MAT credit asset is assessed against the Company's normal income tax during the specified period.

1.15 Earnings per share

Basic earnings per share are computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of equity shares outstanding during the year.

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

1.16 Provisions and Contingencies

Provisions are recognized when the Company recognises it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision.

These are reviewed at each balance sheet date and adjusted to reflect current best estimates.

Disclosures for contingent liability are made when there is a possible or present obligation which arises from past events which is not recognised since it is not probable that there will be an outflow of resources. When there is a possible or present obligation in respect of which the likelihood of outflow of resources is remote, no disclosure is made.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

1. *Significant accounting policies (Continued)*

1.16 *Provisions and Contingencies (Continued)*

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Contingent assets are not recognized in the financial statements.

1.17 *Cash and cash equivalents*

Cash and cash equivalents include cash, cheques in hand, cash at bank and deposits with banks having maturity of three months or less. The bank deposits with original maturity of upto three months are classified as cash and cash equivalents and bank deposits with original maturity of more than three months are classified as other bank balances.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

2. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.1 Project revenue and costs

The percentage-of-completion method places considerable importance on accurate estimates to the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. The Company re-assesses these estimates on periodic basis and makes appropriate revisions accordingly.

2.2 Taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2.3 Property, plant and equipment and intangible assets

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

2. *Significant accounting judgments, estimates and assumptions (Continued)*

2.4 *Impairment of non-financial assets*

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset or cash generating unit.

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. If such recoverable amount of the asset or the recoverable amount of the 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 recognized in the Statement of Profit and Loss. If at the balance sheet 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 subject to a maximum of depreciable historical cost, had no impairment been recognised.

2.5 *Employee benefits*

The Company's obligation for employee benefits is determined based on actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Refer note 35 for details of the key assumptions used in determining the accounting of these plans.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for India. Those mortality tables tend to change only at interval in response to demographic changes. Future salary increases and gratuity increases are based on expected future inflation rates for the respective countries.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

2. Significant accounting judgments, estimates and assumptions (*Continued*)

2.6 Impairment of financial assets

The Company assesses impairment on financial assets based on Expected Credit Loss (ECL) model. The provision matrix is based on its historically observed default rates over the expected life of the financial assets and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in forward looking estimates are analysed.

2.7 Provisions

Significant estimates are involved in the determination of provisions related to liquidated damages, onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings (Legal Proceedings). The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. The provision for warranty, liquidated damages onerous contracts is based on the best estimate required to settle the present obligation at the end of reporting period.

Legal Proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a Legal Proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process.

All the estimates are revised periodically.

Siemens Rail Automation Private Limited

Notes to the financial statements (*Continued*)

for the year ended 30 September 2019

(Currency: Indian rupees)

Change in accounting policy

Ind AS 115 - Revenue from Contracts with Customers

The new standard replaces existing revenue recognition standards Ind AS 11, Construction contracts and Ind AS 18, Revenue. The core principle of the new standard is that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

Ind AS 115 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted Ind AS 115 using the full retrospective method of adoption with the date of initial application of 1 October, 2017. Under this method, the standard must be applied to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 October 2017.

There is no impact to be recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 October 2017. The comparative information was also not restated as there is no change even after adoption of Ind AS 115 and continues to be reported under Ind AS 18.

Standard issued that are not yet effective

Ministry of Corporate Affairs (“MCA”) through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after 1 October 2019:

Ind AS 116 - Leases

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17.

Appendix C to Ind AS 12 uncertainty over income-tax treatment

The amendment requires an entity to determine probability of the relevant tax authority accepting the uncertain tax treatment that the Company have used in tax computation or plan to use in their income tax filings.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency: Indian rupees)

Standard issued that are not yet effective (Continued)

Amendments to Ind AS 12: Income 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.

Amendments to Ind AS 19: Plan amendment, curtailment or settlement

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 recognise 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 recognised because of the impact of the asset ceiling.

The Company is in the process of evaluating the impact of the aforesaid amendments and have not yet quantified the impact.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

3 Property, plant and equipment

Particulars	Plant and equipments	Furniture and fixture	Office equipments	Total
Gross carrying value				
At 1 October 2017	31,529,961	5,365,376	8,158,543	45,053,880
Additions	803,529	1,005,733	1,110,570	2,919,832
At 30 September 2018	32,333,490	6,371,109	9,269,113	47,973,712
Accumulated depreciation				
At 1 October 2017	13,578,993	2,635,423	5,868,158	22,082,574
Charge for the year	6,445,997	1,428,326	1,690,065	9,564,388
At 30 September 2018	20,024,990	4,063,749	7,558,223	31,646,962
Net block				
At 30 September 2018	12,308,500	2,307,360	1,710,890	16,326,750
Particulars	Plant and equipments	Furniture and fixtures	Office equipments	Total
Gross carrying value				
At 1 October 2018	32,333,490	6,371,109	9,269,113	47,973,712
Additions	175,240	-	-	175,240
At 30 September 2019	32,508,730	6,371,109	9,269,113	48,148,952
Accumulated depreciation				
At 1 October 2018	20,024,990	4,063,749	7,558,223	31,646,962
Charge for the year	6,007,315	1,365,774	1,250,193	8,623,282
At 30 September 2019	26,032,305	5,429,523	8,808,416	40,270,244
Net block				
At 30 September 2019	6,476,425	941,586	460,697	7,878,708
At 30 September 2018	12,308,500	2,307,360	1,710,890	16,326,750

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

4 Intangible assets

Particulars	Other intangible assets
	Software
Gross carrying value	
At 1 October 2017	1,802,887
At 30 September 2018	1,802,887
Accumulated amortisation	
At 1 October 2017	1,561,044
Charge for the year	241,843
At 30 September 2018	1,802,887
Net carrying value	
At 30 September 2018	-
Particulars	Other intangible assets
	Software
Gross carrying value	
At 1 October 2018	1,802,887
At 30 September 2019	1,802,887
Accumulated amortisation	
At 1 October 2018	1,802,887
Charge for the year	-
At 30 September 2019	1,802,887
Net carrying value	
At 30 September 2019	-
At 30 September 2018	-

Note:

Though the Company has fully amortised computer software asset, the same is still under use for business purpose.

Siemens Rail Automation Private Limited

Notes to the financial statements (continued) as at 30 September 2019

(Currency : Indian rupees)

	30 September 2019	30 September 2018
5 Trade receivables - Non - current (unsecured)		
Of which		
- considered good	12,080,308	12,258,035
- considered doubtful	26,401	70,585
	<u>12,106,709</u>	<u>12,328,620</u>
Impairment allowance	(26,401)	(70,585)
	<u>12,080,308</u>	<u>12,258,035</u>
6 Other financial assets - Non - current		
Financial assets at amortised cost		
Deposits	10,774,710	12,562,419
	<u>10,774,710</u>	<u>12,562,419</u>
8 Income tax assets		
Advance income tax, net	26,669,100	23,216,153
	<u>26,669,100</u>	<u>23,216,153</u>
9 Other non-current assets		
Balances with statutory / government authorities [includes payments made under protest of Rs. 13,827,193 (2018: Rs. 8,795,095)]	72,897,708	67,865,620
Prepaid lease	208,232	563,394
	<u>73,105,940</u>	<u>68,429,014</u>
<p>Balance with government authorities aggregating to Rs.59,070,515 (2018: Rs. 59,070,515) represents Karnataka VAT input credit taken on purchase of materials accumulated over the years. The Management is confident it will be able to realise these balances in the form of refund upon completion of assessments with VAT authorities, pending which no adjustments have been made in the financial statements.</p>		
10 Inventories (valued at lower of cost and net realisable value)		
Raw materials	246,292,868	114,991,996
	<u>246,292,868</u>	<u>114,991,996</u>
11 Trade receivables - Current (unsecured)		
Trade receivables	102,101,157	234,667,725
Receivables from related parties (refer note 34)	22,438,598	16,701,047
	<u>124,539,755</u>	<u>251,368,772</u>
Of which		
- considered good	90,674,158	222,282,661
- considered doubtful	280,811	501,325
- credit impaired	33,584,786	28,584,786
	<u>124,539,755</u>	<u>251,368,772</u>
Impairment allowance	(33,865,597)	(29,086,111)
	<u>90,674,158</u>	<u>222,282,661</u>
i) Trade receivable does not consist any amounts due from directors or other officers of the Company either severally or jointly with any other person. There are no dues receivable from firms or private companies in which any director is a partner, a director or a member.		
ii) For related party receivables, refer note 34		
iii) Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days of credit period.		
12 Cash and cash equivalents		
<i>Balances with banks</i>		
- On current accounts	23,653,783	48,850,567
- Bank deposits with original maturity of less than 3 months	-	337,765,657
Cheques on hand	-	44,514,650
	<u>23,653,783</u>	<u>431,130,874</u>

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued) for the year ended 30 September 2019

(Currency : Indian rupees)

7 Income tax disclosure

(a) Income tax expense

Particulars	30 September 2019	30 September 2018
Current tax:		
Current income tax charge	54,394,876	22,518,835
Less: MAT credit entitlement	(3,987,163)	-
Net Current income tax charge	50,407,713	22,518,835
Deferred tax		
In respect of current year origination of temporary differences	1,952,025	6,918,139
Total tax expense recognised in statement of profit and loss	52,359,738	29,436,974

(b) Income tax on other comprehensive income

Particulars	30 September 2019	30 September 2018
Remeasurements of defined benefit plans	(494,565)	506,679
Total income tax charged to other comprehensive income	(494,565)	506,679

(c) Numerical reconciliation between average effective tax rate and applicable tax rate:

Particulars	30 September 2019	30 September 2018
Applicable tax rate- Normal rate	27.14%	27.82%
Profit before tax	177,482,481	102,653,424
Other comprehensive income	(1,935,308)	1,821,276
Total	175,547,173	104,474,700
Tax at statutory average income tax rate of 27.144% (29.12% upto 31 March 2019 and 25.168% from 1 April 2019) (30 September 2018 : 27.82%)	47,650,525	29,064,861
Tax effect of expenses not deductible for tax purpose	576,245	
Tax effect of change in statutory rate	3,638,405	878,791
Total	51,865,175	29,943,652
Average effective tax rate (Tax expense divided by profit before tax)	29.54	28.66
Tax expense reported in statement of profit and loss	52,359,738	29,436,974
Tax expense on other comprehensive income	(494,565)	506,679
Total	51,865,173	29,943,653

The Company has computed tax expense of the current financial year as per the tax regime announced under section 115BAA of the Income Tax Act, 1961. Accordingly, the provision for current and deferred tax has been determined at the rate of 25.168%.

(d) Movement of deferred tax

Particulars	30 September 2019	30 September 2018
Deferred tax assets		
a. Provision for doubtful debts and advances	10,970,265	10,943,978
b. Provision for inventory	9,369,799	7,695,680
c. Impact of expenditure charged to the statement of profit and loss but allowable for tax purposes in following years	6,112,753	6,274,285
d. Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for financial reporting	4,447,347	3,559,364
e. MAT credit entitlement	-	3,987,163
Deferred tax assets (net)	30,900,164	32,460,470

(e) Reconciliation of deferred tax assets, net

Particulars	30 September 2019	30 September 2018
Opening balance as on 1st October	32,460,470	39,378,610
Tax expense during the period recognised in profit or loss	(1,952,025)	(6,918,140)
Tax income during the period recognised in other comprehensive income	391,719	-
Deferred tax assets (net)	30,900,164	32,460,470

Siemens Rail Automation Private Limited

Notes to the financial statements (continued)

as at 30 September 2019

(Currency : Indian rupees)

	30 September 2019	30 September 2018
13 Other bank balances		
Bank deposits with original maturity of more than 3 months but less than 12 months	1,082,040,850	27,775,193
	<u>1,082,040,850</u>	<u>27,775,193</u>
Bank deposit includes fixed deposits with banks Rs.7,540,850 (2018: Rs.7,597,442) marked as lien for 3rd party on behalf of the Company.		
14 Other financial assets - Current		
Financial assets at amortised cost		
Interest accrued on bank deposits	7,966,547	1,588,733
	<u>7,966,547</u>	<u>1,588,733</u>
15 Contract assets		
- considered good	157,032,383	190,330,012
- considered doubtful	10,773,510	11,611,392
	<u>167,805,893</u>	<u>201,941,404</u>
Impairment allowance	(10,773,510)	(11,611,392)
	<u>157,032,383</u>	<u>190,330,012</u>
16 Other current assets		
Prepaid expenses	260,597	311,504
Balances with statutory / government authorities, net	1,877,994	933,109
Loan and advances to employees	562,117	100,000
Others	22,552	2,552
	<u>2,723,260</u>	<u>1,347,165</u>
19 Long-term provisions		
<i>Provision for employee benefits</i>		
- Leave wages	4,410,386	4,259,641
- Medical benefits (refer note 35)	1,078,549	535,325
- Silver jubilee and star awards	1,539,514	2,391,151
- Retirement gift	205,903	-
	<u>7,234,352</u>	<u>7,186,117</u>
20 Other financial liabilities - Current		
Financial liabilities at amortised cost		
Provision for variable pay compensation	4,680,237	4,405,237
Liabilities related to share based payments (refer note 38)	29,889	-
	<u>4,710,126</u>	<u>4,405,237</u>
21 Short-term provisions		
a) <i>Provision for employee benefits</i>		
- Leave wages	300,660	386,476
- Gratuity (refer note 35)	6,408,042	5,479,878
- Silver jubilee and star awards	86,913	90,000
	<u>6,795,615</u>	<u>5,956,354</u>
b) <i>Others</i>		
- Warranty (refer note 32)	18,152,717	1,899,444
- Loss order (refer note 32)	787,714	807,912
- Other matters (refer note 32)	15,380,997	6,500,000
	<u>34,321,428</u>	<u>9,207,356</u>
	<u>41,117,043</u>	<u>15,163,710</u>
22 Other current liabilities		
Accrual for employee reimbursements	3,782,725	1,208,213
Other liabilities		
- Withholding and other taxes payable	18,627,002	27,543,459
- Other project related provisions	25,277,509	4,508,428
- Others	3,103,936	-
	<u>50,791,172</u>	<u>33,260,100</u>
23 Contract liabilities		
Advances from customers	10,157,484	1,891,912
Billing in excess / advance billings	1,145,047,731	592,944,635
	<u>1,155,205,215</u>	<u>594,836,547</u>

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

30 September 2019 30 September 2018

17 Share capital

Authorised

15,000,000 equity shares of Rs 10 each (2018: 15,000,000)

150,000,000 150,000,000

150,000,000 150,000,000

Issued

64,898 equity shares of Rs 10 each (2018: 64,898)

648,980 648,980

648,980 648,980

Subscribed and fully paid-up

64,898 equity shares of Rs 10 each fully paid-up (2018: 64,898)

648,980 648,980

648,980 648,980

a) Reconciliation of the number of shares outstanding at the beginning and at the end of the year:

	30 September 2019		30 September 2018	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	64,898	648,980	64,898	648,980
Shares outstanding at the end of the year	64,898	648,980	64,898	648,980

b) Details of shareholders holding more than 5% shares in the Company and shares held by holding company:

Name of shareholder	30 September 2019		30 September 2018	
	No. of shares held	% of holding	No. of shares held	% of holding
Siemens Limited, the holding company	64,897	99.99%	64,897	99.99%

As per records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

c) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts (if any). The distribution will be in proportion to the number of equity shares held by the shareholders.

18 Other equity

Nature and purpose of reserve

a) Securities premium account represents the surplus of proceeds received over the face value of shares, at the time of issue of shares.

b) Retained earnings are the profits that the Company has earned till date.

Siemens Rail Automation Private Limited

Notes to the financial statements (continued) for the year ended 30 September 2019

(Currency : Indian rupees)

	30 September 2019	30 September 2018
24 Revenue from contracts with customer		
Revenue from sale of product and its related services	846,259,149	759,777,437
Sale of services	50,120,154	46,404,623
	<u>896,379,303</u>	<u>806,182,060</u>
25 Other income		
Interest income		
- on bank deposits	42,619,519	4,567,067
- on income tax refund	850,790	-
- others	363,445	342,872
	<u>43,833,754</u>	<u>4,909,939</u>
26 Project bought outs and other direct costs		
Project bought outs	543,430,128	501,391,356
	<u>543,430,128</u>	<u>501,391,356</u>
27 Employee benefits expense		
Salaries, wages and bonus	63,801,317	75,361,348
Contribution to provident and other funds	4,322,453	6,090,181
Staff welfare expenses	7,348,161	4,976,823
	<u>75,471,931</u>	<u>86,428,352</u>
28 Finance costs		
Interest - Others	3,463,861	4,609,840
	<u>3,463,861</u>	<u>4,609,840</u>
29 Other expenses		
Exchange difference, net	345,978	276,389
Travel and conveyance	28,034,600	24,998,651
Software license fees and other information technology related costs	5,009,756	5,202,233
Rates and taxes	8,114,617	7,544,073
Communications	5,332,691	5,057,430
Power and fuel	3,739,851	3,948,816
Insurance	2,445,659	3,960,400
Rent	11,163,564	10,279,834
Repairs		
- on building	1,164,617	1,215,788
- on machinery	-	7,440
- others	2,752,962	3,720,975
Legal and professional [includes auditors' remuneration (refer note 31)]	15,415,798	18,338,336
Other subcontracting cost	33,829,403	14,503,021
Office supplies, printing and stationery	2,181,695	1,522,089
Bank guarantee commission / bank charges	140,168	81,884
Provision for doubtful debts and advances, net	3,897,420	1,417,682
Miscellaneous expenses	8,172,595	4,127,755
	<u>131,741,374</u>	<u>106,202,796</u>

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

	30 September 2019	30 September 2018
30 Commitments and contingent liabilities		
(a) Pending litigations (to the extent not provided for)		
Liability on account of non-submission of C Forms	8,875,094	1,220,675
Liability on account of VAT input disallowance	-	7,832,353
	<u>8,875,094</u>	<u>9,053,028</u>
(i) Matters wherein management has concluded the Company's liability to be probable (if any) have accordingly been provided for in the books.		
(ii) Matters wherein management has concluded for Company's liability to be possible have accordingly been disclosed as contingent liability. In respect of above contingent liabilities, the future cash outflow are determinable only on receipt if judgements pending at various forums/ authorities		
The Hon'ble Supreme Court of India by their Order dated 28 February 2019, in the case of Surya Roshni Limited vs. EPFO, set out principles based on which allowances paid to employees should be identified for inclusion in basic wages for the purpose of provident fund contribution. There are numerous interpretative issues relating to the above judgment on provident fund. As a matter of caution, the Company has made a provision on a prospective basis from the date of the SC order. The Company will update its provision, on receiving further clarity on the subject.		
31 Auditors' remuneration (for audit services exclusive of service tax / GST)	30 September 2019	30 September 2018
As auditor		
- Audit fees	1,153,479	784,665
- Tax audit fees	350,000	350,000
In other capacity		
- Other audit related services	100,000	-
- Reimbursement of expenses	40,000	35,000
	<u>1,643,479</u>	<u>1,169,665</u>

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

32 Disclosure relating to Provisions

Provision for warranty

Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

Provision for loss orders

A provision for expected loss on construction contracts is recognised when it is probable that the contract costs will exceed total contract revenue. For all other contracts loss order provisions are made when the unavoidable costs of meeting the obligation under the contract exceed the currently estimated economic benefits.

Provision for other matters

The Company has made provisions for known pending assessments in respect of taxes, duties and other levies, the outflow of which would depend on the outcome of the respective events.

The movements in the above provisions are summarised below:

	Warranty		Loss orders		Other matters	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Balance as at 1 October 2018	1,899,444	1,413,116	807,912	987,229	6,500,000	1,500,000
Provisions :						
- Created	18,152,717	486,328	-	-	8,880,997	5,000,000
- Utilised	(1,899,444)	-	(20,198)	(179,317)	-	-
- Reversed	-	-	-	-	-	-
Balance as at 30 September 2019	18,152,717	1,899,444	787,714	807,912	15,380,997	6,500,000
- Current	18,152,717	1,899,444	787,714	807,912	15,380,997	6,500,000
- Non-current	-	-	-	-	-	-

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)
as at 30 September 2019

(Currency : Indian rupees)

33 Disclosure pursuant to Ind AS 115 'Revenue from contracts with customers':

(i) The Company has adopted Ind AS 115 'Revenue from contracts with customers' with effect from 1 October 2018 using the full retrospective method. The application of Ind AS 115 did not have any significant impact on the recognition and measurement of revenue and related items in the financial statements for the periods presented.

(ii) The performance obligation is satisfied over a period of time. The timing of revenue recognition is as under:

	30 September 2019	30 September 2018
Recognised over period to time	896,379,303	806,182,060
Total revenue from contract with customers	<u>896,379,303</u>	<u>806,182,060</u>

(iii) Entire revenue from contracts with customers is from within India

(iv) **Contract balances:**

	30 September 2019	30 September 2018
Trade receivables	102,754,466	234,540,696
Contract assets	157,032,383	190,330,012
Contract liabilities	1,155,205,215	594,836,547

(v) **Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price**

	30 September 2019	30 September 2018
Revenue as per contracted price	1,873,621,141	1,197,185,291
Adjustments		
Add: Contract assets	167,805,893	201,941,404
Less: Billing in excess / advance billings	(1,145,047,731)	(592,944,635)
Revenue from contract with customers	<u>896,379,303</u>	<u>806,182,060</u>

(vi) **Remaining performance obligation:**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 September are as follows:

	30 September 2019	30 September 2018
Within one year	560,552,076	1,019,845,600
More than one year	2,108,579,821	1,039,308,270
	<u>2,669,131,897</u>	<u>2,059,153,870</u>

Siemens Rail Automation Private Ltd.

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency : Indian rupees)

34 Related party transactions (Continued)

34.1 Parties where control exists

Siemens AG	Ultimate holding company	Germany
Siemens Ltd.	Holding company	India

34.2 Other related parties where transactions have taken place during the year

Fellow Subsidiaries	Name	Country
	Siemens Rail Automation Pty Ltd,	Australia
	Siemens Ltd.	Australia
	Siemens Technology and Services Pvt. Ltd.	India
	Siemens Factoring Pvt. Ltd.	India
	Siemens Rail Automation S.A.U.	Spain
	Siemens Rail Automation Holdings Ltd.	United Kingdom
	Siemens Industry, Inc.	United States of America
	Siemens Mobility, Inc	United States of America
	Siemens Industrial Turbomachinery Ltd.	United Kingdom
	Siemens Mobility GmbH	Germany

34.3 Related party transactions

Description	2019		2018	
	Holding Company and Ultimate Holding Company	Fellow Subsidiaries	Holding Company and Ultimate Holding Company	Fellow Subsidiaries
Revenue (net of taxes) - Sale of Materials				
- Siemens Ltd.	45,726,925	-	58,394,976	-
- Siemens Industry, Inc.	-	-	-	922,804
Purchase of goods and services				
- Siemens Rail Automation Holdings Ltd.	-	-	-	2,409,345
- Siemens Ltd.	41,296,615	-	35,836,495	-
- Siemens AG	4,736,882	-	7,137,535	-
- Siemens Technology and Services Pvt Ltd	-	3,768,943	-	3,670,181
- Siemens Rail Automation S.A.U.	-	2,298,124	-	-
- Other	-	582,933	-	476,628
Interest expenses				
- Siemens Ltd.	29,219	-	4,557,015	-
Inter corporate deposit taken				
- Siemens Ltd.	15,000,000	-	25,000,000	-
Inter corporate deposit repaid				
- Siemens Ltd.	15,000,000	-	175,000,000	-
Outstanding Balances				
Receivables				
- Siemens Ltd.	21,505,703	-	13,585,995	-
- Siemens Factoring Pvt. Ltd.	-	-	-	2,247,558
- Siemens AG	850,928	-	-	-
- Siemens Mobility, Inc	-	-	-	521,214
- Siemens Industry, Inc.	-	-	-	346,280
- Siemens Industrial Turbomachinery Ltd.	-	81,968	-	-
Payables				
- Siemens Rail Automation Pty Ltd	-	383,488	-	413,498
- Siemens Rail Automation Holdings Ltd.	-	-	-	1,730,143
- Siemens Technology Services Pvt Ltd.	-	-	-	427,933
- Siemens AG	2,120,488	-	2,373,421	-
- Siemens Mobility GmbH	-	636,973	-	-
- Siemens Ltd.	1,882,360	-	1,880,466	-
- Siemens Ltd., Australia	-	26	-	113,301
- Siemens Rail Automation S.A.U.	-	746,947	-	-
- Others	-	118,303	-	-

There are no payments to key managerial personnel.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency : Indian rupees)

35 Disclosures pursuant to Accounting Standard - Ind AS 19 'Employee Benefits' :

(i) Defined contribution plans

Amount of Rs. 2,963,869 (2018: Rs.3,566,448) is recognised as an expense and included in "employee benefits expense" (Refer note 27) in the statement of profit and loss.

(ii) Defined benefit plans

a) Amounts for the current period are as follows :

Particulars		Gratuity		Medical	
		Sept 2019	Sept 2018	Sept 2019	Sept 2018
I	Change in defined benefit obligation				
	Liability at the beginning of the year	5,908,034	6,580,405	535,325	817,928
	Expenses recognised in the statement of profit and loss				
	- Interest cost	410,873	465,389	45,556	59,218
	- Current service cost	1,120,700	1,525,860	118,776	221,661
	Actuarial (gain) / loss				
	i Change in financial assumptions	1,186,659	(1,227,736)	45,684	(218,281)
	ii Experience variance	369,757	(61,056)	333,208	(345,201)
	Benefits paid	(2,159,825)	(1,374,828)		
	Liability at the end of the year	6,836,198	5,908,034	1,078,549	535,325
II	Fair value of plan assets				
	Fair value of plan assets at the beginning of the year	428,156	428,156	-	-
	Expenses recognised in the statement of profit and loss				
	- Expected return on plan assets	-	30,998	-	-
	Recognised in other comprehensive income				
	- Actuarial gain / (loss) on plan assets	-	(30,998)	-	-
	Fair value of plan assets at the end of the year	428,156	428,156	-	-
III	Actual return on plan assets				
	Expected return on plan assets	-	30,998	-	-
	Actuarial gain / (loss) on plan assets	-	(30,998)	-	-
	Actual return on plan assets	-	-	-	-
IV	Amount recognised in the balance sheet				
	Defined benefit obligation at the end of the year	6,836,198	5,908,034	1,078,549	535,325
	Fair value of plan assets at the end of the year	428,156	428,156	-	-
	(Surplus)/Deficit	6,408,042	5,479,878	1,078,549	535,325
	Current portion of the above	6,408,042	5,479,878	-	-
	Non current portion of the above	-	-	1,078,549	535,325
V.a	Expenses recognised in the statement of profit and loss				
	Net interest expense	410,873	434,391	45,556	59,218
	Current service cost	1,120,700	1,525,860	118,776	221,661
	Expense recognised in the statement of profit and loss	1,531,573	1,960,251	164,332	280,879
V.b	Included in other comprehensive income				
	Expected return on plan assets excluding net interest	-	30,998	-	-
	Net actuarial (gain) / loss recognised	1,556,416	(1,288,792)	378,892	(563,482)
	Actuarial (gain) or loss recognised in OCI	1,556,416	(1,257,794)	378,892	(563,482)

Siemens Rail Automation Private Ltd.

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency : Indian rupees)

35 Disclosures pursuant to Accounting Standard - Ind AS 19 'Employee Benefits' : (Continued) :

		Gratuity		Medical	
		Sept 2019	Sept 2018	Sept 2019	Sept 2018
VII	Actuarial Assumptions				
	Discount Rate	7.23%	8.51%	7.23%	8.51%
	Attrition rate:				
	upto 30 years	15.00%	15.00%	15.00%	15.00%
	31-50 years	3.00%	3.00%	3.00%	3.00%
	above 50 years	2.00%	2.00%	2.00%	2.00%
	Salary Escalation / Pension increase rate / Medical cost increase rate	8.00%	8.00%	3.50%	3.50%
VIII	Sensitivity				
	Change in liability for 0.5% decrease in discount rate	558,188	448,280	166,851	75,879
	Change in liability for 0.5% increase in discount rate	(501,705)	(403,944)	(141,732)	(65,236)
	Change in liability for 0.5% decrease in salary/ medical inflation rate	(500,805)	(407,060)	(128,740)	(61,589)
	Change in liability for 0.5% increase in salary/ medical inflation rate	551,635	447,789	150,913	71,637
IX	Maturity Profile of Defined Benefit Obligation (Undiscounted amount)				
	Year 1	269,519	338,953	-	-
	Year 2	361,093	291,991	-	-
	Year 3	359,948	291,487	-	-
	Year 4	376,286	259,163	-	-
	Year 5	421,525	250,704	-	-
	Years 6 to 10	4,533,123	1,609,562	-	-
X	Weighted Average Duration of Defined Benefit Obligation				
	Duration (Years)	15.90	16.04		

b) The gratuity balance is funded only to the extent of Rs. 428,156 (2018: 428,156). The Company expects to contribute Rs. 269,519 (2018: Rs. 338,953) in 2019-20.

c) The estimates of future salary increases, considered in actuarial valuation, take in to account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(iii) General descriptions of significant defined plans

I Gratuity plan

Gratuity is payable to all eligible employees of the Group on superannuation, death and permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972 or as per the Company's Scheme whichever is more beneficial. Under the act, employee who has completed five years of service is entitled to the benefit. The level of benefits provided depends on the members length of service and salary at retirement age.

II Medical

Post retirement medical benefit is paid to the retired employees till their survival and after their death, benefits are available to the employee's spouse. It consists of 3 components, which is health insurance, domiciliary medical allowance and Company support in case the expenses incurred are more than the health insurance coverage subject to the ceiling limit as per the grades.

(iv) Broad category of Fair value of plan assets & as a percentage of total plan assets of the Gratuity plan

Particulars (Unquoted)	2019		2018	
	Amount	%	Amount	%
Insurance company	428,156	100%	428,156	100%
Total plan assets	428,156	100%	428,156	100%

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

36 Earnings per share:

	30 September 2019	30 September 2018
Weighted average number of equity shares outstanding during the year	64,898	64,898
Profit after tax	125,122,743	73,216,449
Basic and diluted earnings per share	<u>1,927.99</u>	<u>1,128.18</u>

37 Details of dues to Micro, Small and Medium Enterprises as defined under the MSMED Act, 2006

The Company has amounts due to supplier under MSMED as at 30 September. The disclosure pursuant to the said Act is as under:

	30 September 2019	30 September 2018
Principal amount due to suppliers under MSMED Act	25,927,223	-
Interest accrued and due to suppliers under Section 16 of MSMED Act, 2006 on the above amount, unpaid #	240,759	-
Payment made to suppliers (other than interest) beyond the appointed day during the year	161,113,778	-
Interest paid to suppliers under the MSMED Act	-	-
Interest due and payable towards suppliers under MSMED Act towards payments already made	2,863,177	-
Interest accrued and remaining unpaid at the end of the accounting year	3,103,936	-

interest accrued is considered due upon claim from vendors.

The information has been given in respect to such vendors to the extent they could be identified as 'micro and small enterprises' on the basis of information available with the Company.

38 Share-based payment transactions

All the share-based payment awards at Company are classified as cash-settled transactions. The employees of the Company are eligible for the Ultimate Holding Company's share awards namely Share Matching Plan (SMP) and Siemens Profit Sharing plan (SPS). Under SMP, the employee may invest a specified part of their compensation in the Ultimate Holding Company's shares and at the end of 3 years (vesting period) employee gets one free share for every three shares purchased. Under SPS shares are granted to the eligible employees on achievement of the targets by Ultimate Holding Company.

Details of liabilities arising from the share-based payment transactions are as follows:

	30 September 2019	30 September 2018
Other current financial liabilities (refer note 20)	29,889	-
Total	<u>29,889</u>	<u>-</u>

Effect of share-based payment transaction on the profit and loss, shown under the head employee benefits expense is Rs. 30,147.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

39 Capital management

For the purpose of the Company's capital management, equity includes equity share capital and all other equity reserves attributable to the equity holders of the Company. The Company manages its capital to optimise returns to the shareholders and makes adjustments to it in light of changes in economic conditions or its business requirements. The Company's objectives when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth and maximise the shareholders value. The management and the Board of Directors monitors the return on capital.

40 Financial instruments

A) Accounting classifications and fair values

i) Category-wise classification for applicable financial assets:

Particulars	Notes	Carrying value / Fair value	
		30 September 2019	30 September 2018
<u>Measured at amortised cost:</u>			
(a) Trade receivables	5 & 11	102,754,466	234,540,696
(b) Cash and cash equivalents and other bank balances	12 & 13	1,105,694,633	458,906,067
(c) Other financial assets	6 & 14	18,741,257	14,151,152
Total		<u>1,227,190,356</u>	<u>707,597,915</u>

ii) Category-wise classification for applicable financial liabilities:

Particulars	Notes	Carrying value / Fair value	
		30 September 2019	30 September 2018
<u>Measured at amortised cost:</u>			
(a) Trade payables		186,130,280	297,111,461
(c) Other liabilities	20	4,710,126	4,405,237
Total		<u>190,840,406</u>	<u>301,516,698</u>

The carrying amounts of financial instruments such as cash and cash equivalents, other bank balances, trade receivables, trade payables and other current financial assets and liabilities are considered to be same as their fair values due to their short term nature.

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

as at 30 September 2019

(Currency : Indian rupees)

41 Financial Risk Management

A Credit risk

Credit risk is defined as an unexpected loss in financial instruments if the contractual partner is failing to discharge its obligations in full and on time. The Company is exposed to credit risk from its operating and financing activities like trade receivables, deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

The major exposure to credit risk at the reporting date is primarily from receivables comprising of trade and project unbilled receivables (net).

Credit risk on receivables is limited due to the Company's large and diverse customer base which includes public sector enterprises, state owned companies and private corporates. The effective monitoring and controlling of credit risk through credit evaluations and ratings is a core competency of the Company's risk management system.

For receivables, as a practical expedient, the Company computes expected credit loss allowance based on a provision matrix. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The ECL is calculated on rating and default probability percentage arrived from the historic default trend. In order to determine the default probability percentage, a simple average of customer wise specific allowances or actual bad debts incurred in succeeding year (derived rates) (whichever is higher) for the preceding three years is considered as a percentage of gross receivables positions for each grading i.e. rating and division of each customer as at reporting date.

The reconciliation of ECL is as follows:

Particulars	30 September 2019	30 September 2018
Balance at the beginning of the year	(40,768,088)	(37,991,430)
Loss allowance based on ECL	(3,897,420)	(2,776,658)
Balance at the year end	<u>(44,665,508)</u>	<u>(40,768,088)</u>

B Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The Company regularly monitors the rolling forecasts and actual cashflows, to ensure it has sufficient funds to meet the operational needs.

The table below summarise the maturity profile of the Company's financial liabilities based on contractually agreed undiscounted cash flows :

Particulars	Notes	Total	Payable within 1 year	More than 1 year
As at 30 September 2019				
Trade payables		186,130,280	186,130,280	-
Other financial liabilities	20	4,710,126	4,710,126	-
		190,840,406	190,840,406	-
As at 30 September 2018				
Trade payables		297,111,461	297,111,461	-
Other financial liabilities	20	4,405,237	4,405,237	-
		301,516,698	301,516,698	-

42 Disclosure pursuant to Indian Accounting Standard - 17 'Leases' :

Where the Company is the lessee:

Lease payments on non cancellable lease arrangement debited to the statement of profit and loss and the future lease payments in respect of non cancellable operating lease are summarised below:

	30 September 2019	30 September 2018
(i) Not later than one year from the balance sheet date	11,416,235	10,875,455
(ii) Later than one year and not later than five years	30,771,201	42,187,436
(iii) Later than five years	-	-

Lease rent debited to the statement of profit and loss Rs. 11,163,564 (2018: Rs. 10,279.834)

Siemens Rail Automation Private Limited

Notes to the financial statements (Continued)

for the year ended 30 September 2019

(Currency : Indian rupees)

43 Segment information:

Based on the management approach as defined in Ind AS 108, the chief operating decision maker evaluates the Company's performance as a whole. Accordingly, the business of designing, manufacturing, commissioning and maintenance support of electronic interlocking system in relation to the above is considered as single operating segment.

44 Previous years figures have been regrouped/reclassified wherever necessary, to conform to current year's classification.

**The accompanying notes are an integral part of the financials statements
As per our report of even date**

For S R B C & CO LLP
ICAI Firm Registration Number:- 324982E / E300003
Chartered Accountants

**For and on behalf of the Board of Directors of
Siemens Rail Automation Private Limited**

per Aruna Kumaraswamy
Partner
Membership No: 219350

Tilak Raj Seth
Director
DIN : 07027068

Ritesh Khandelwal
Director
DIN : 07877939

Place : Mumbai
Date: 8 November 2019

Place : Gurgaon
Date: 8 November 2019