

B S R & Co. LLP

Chartered Accountants

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Independent Auditors' Report

To the members of Preethi Kitchen Appliances Private Limited

Report on the financial statements

We have audited the accompanying financial statements of **Preethi Kitchen Appliances Private Limited** (the "Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (or "the financial statements").

Management's responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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To the members of Preethi Kitchen Appliances Private Limited

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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its losses and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we enclose in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;



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- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of written representations received from the directors as on 31 March 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164(2) of the Act; and
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 the pending litigations in the financial statements – Refer note 40 to the financial statements.
 - ii The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for B S R & Co. LLP
Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022


Vikram Advani

Partner

ICAI Membership No. 091765

Place: Gurgaon

Date: 16 May 2016

**Annexure A to the Independent Auditors' Report to the members of
Preethi Kitchen Appliances Private Limited**

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- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified once in every three years, except for certain assets which are verified on the basis of third party confirmations. In accordance with this programme, a portion of the fixed assets has been physically verified by the management during the year and the discrepancies noticed were not material and have been properly dealt with in the books of accounts. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 10 are held in the name of the Company.
- (ii) The inventory, except stocks lying with third parties and in transit, has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has not granted any secured or unsecured loans to Companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) The Company has not granted any loan, investment, guarantees or security which requires compliance under Sections 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

**Annexure A to the Independent Auditors' Report to the members of
Preethi Kitchen Appliances Private Limited**

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- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there were no dues of income tax, service tax, duty of customs, duty of excise and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

The below disputed amounts of Value added tax/ sales tax have been deposited or not deposited with the appropriate authorities:

Name of the Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
TNVAT, 2006	Value Added Tax	240,043,130	2011-12	Madras High Court
TNVAT, 2006	Value Added Tax	13,651,813	2011-12	Deputy Commissioner of Commercial taxes
TNVAT, 2006	Value Added Tax	7,085,328	2012-13	Deputy Commissioner of Commercial taxes
TNVAT, 2006	Value Added Tax	3,582,904	2013-14	Deputy Commissioner of Commercial taxes
Individual State Sales Tax Act	Sales Tax including interest and penalty were applicable	132,770*	2011-12	Inspector Intelligence, Squad II – Alappuzah
Individual State Sales Tax Act	Sales Tax including interest and penalty were applicable	183,106	2012-13	Inspector Intelligence, Squad II – Ernakulum

*Company has made a security deposit to extent of this amount under protest

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- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any of its bankers, financial institutions or debenture holders. The Company does not have any outstanding loans or borrowings to the Government.
- (ix) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans taken by the Company have been applied for the purpose for which such loans were obtained. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) The Company has not paid any managerial remuneration during the year, accordingly paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the books of account, transactions with related parties are in compliance with section 188 of Companies Act 2013, and the details have been disclosed in note 31 to the financial statements as required by the applicable accounting standards. Section 177 to the Companies Act 2013 is not applicable to the Company.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has raised funds through private placement of shares and convertible preference shares during the year in accordance with the requirement of section 42 of the Companies Act 2013 and the same has been utilised for the purpose for which the funds were raised.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with any of its directors or persons connected with the directors during the year. Accordingly, paragraph 3(xv) of the Order is not applicable.



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- (xvi) According to the information and explanations given to us, the Company is not engaged in any businesses that requires it to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly paragraph 3(xvi) of the Order is not applicable.

for B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 101248W/W-100022



Vikram Advani
Partner

ICAI Membership No. 091765

Place: Gurgaon

Date: 16 May 2016

**Annexure B to the Independent Auditors' Report to the members of
Preethi Kitchen Appliances Private Limited**

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**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 **Preethi Kitchen Appliances Private Limited** ("the Company") as of 31 March 2016 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 issued by the Institute of Chartered Accountants of India ('ICAI'). 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 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 Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the 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 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 system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 judgment, 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 Company's internal financial controls system over financial reporting.

Annexure B to the Independent Auditors' Report to the members Preethi Kitchen Appliances Private Limited for the year ended 31 March 2016

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Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting 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 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

Because of the inherent limitations of internal financial controls over financial reporting, 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 to future periods are subject to the risk that the internal financial control over financial reporting 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, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, 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 B S R & Co. LLP
Chartered Accountants

ICAI Firm Registration Number: 101248W/W-100022


Vikram Advani
Partner

ICAI Membership No. 091765

Place: Gurgaon

Date: 16 May 2016

Preethi Kitchen Appliances Private Limited

Balance Sheet as at 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Notes	As at 31 March 2016	As at 31 March 2015
I EQUITY AND LIABILITIES			
Shareholders' funds			
(a) Share capital	3	1,082	143
(b) Reserves and surplus	4	2,696	(4,296)
		3,778	(4,153)
Non-current liabilities			
(a) Long-term borrowings	5	3	5,404
(b) Long-term provisions	6	41	44
		44	5,448
Current liabilities			
(a) Short-term borrowings	7	154	2,540
(b) Trade payables	8	572	485
(c) Other current liabilities	9	166	256
(d) Short-term provisions	6	37	34
		929	3,315
TOTAL		4,751	4,610
II ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	542	596
(ii) Intangible assets	11	2,343	3,124
(iii) Capital work-in-progress		31	-
		2,916	3,720
(b) Long-term loans and advances	12	76	84
(c) Other non-current assets	13	-	0
Current assets			
(a) Inventories	14	554	633
(b) Trade receivables	15	130	85
(c) Cash and bank balances	16	977	23
(d) Short-term loans and advances	17	93	65
(e) Other current assets	18	5	-
		1,759	806
TOTAL		4,751	4,610
Significant accounting policies	2		

The notes referred to above 1-42 form an integral part of the financial statements

As per our report of even date attached

for and on behalf of the Board of directors

for B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI

Partner

ICAI Membership No: 091765

Place: Gurgaon

Date: 16 May 2016

Managing Director

Director

Company Secretary

Place: Gurgaon

Date: 16 May 2016

Rupendra Yadav

A.D.A.Ratnam

Achuthan. R

Preethi Kitchen Appliances Private Limited

Statement of profit and loss for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Notes	Year ended 31 March 2016	Year ended 31 March 2015
I Income			
Revenue from operations (gross)	19	4,930	4,336
Less: Excise duty recovered		(142)	(126)
		4,788	4,210
Other income	20	8	5
Total revenue		4,796	4,215
II Expenses			
Cost of materials consumed	21	2,256	1,923
Purchases of stock-in-trade	22	590	691
Changes in inventories of finished goods, stock-in-trade and work-in-progress	23	82	(29)
Employee benefit expenses	24	409	366
Finance costs	25	769	757
Depreciation and amortisation	26	846	841
Other expenses	27	1,046	834
Total expenses		5,998	5,383
Loss before tax		(1,202)	(1,168)
Income tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		(1,202)	(1,168)
Basic and diluted earnings per equity share of ₹ 10 each (in ₹)	39	(82.25)	(81.71)
Significant accounting policies	2		

The notes referred to above 1-42 form an integral part of the financial statements

As per our report of even date attached

for and on behalf of the Board of directors

for B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Managing Director

Rupendra Yadav

Director

A.D.A.Ratnam

VIKRAM ADVANI

Partner

ICAI Membership No: 091765

Place: Gurgaon

Date: 16 May 2016

Company Secretary

Place: Gurgaon

Date: 16 May 2016

Achuthan, R

Preethi Kitchen Appliances Private Limited

Cash flow statement for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Year ended 31 March 2016	Year ended 31 March 2015
A. Cash flow from operating activities		
Loss before tax	(1,202)	(1,168)
Adjustments for		
Loss on sale of fixed assets	19	-
Depreciation and amortisation	846	841
Unrealised foreign exchange (gain)/loss (net)	(1)	-
Bad debts written off	-	2
Provision no longer required written back	(38)	(52)
Interest income	-	-
Cash discount on supplier financing	(5)	(3)
Finance costs	769	757
	<u>1,590</u>	<u>1,545</u>
Operating profit before working capital changes	388	377
Changes in		
Trade receivables and other loans and advances	(49)	84
Inventories	79	9
Current liabilities & provisions	141	135
	<u>171</u>	<u>228</u>
Cash generated by operations	559	605
Less: Income tax paid (net of refunds)	(2)	(6)
Net cash generated by operating activities (A)	557	599
B. Cash flow from investing activities		
Purchase of fixed assets	(58)	(120)
Proceeds from sale of fixed assets	6	1
Interest received	-	-
Cash discount received on supplier financing	5	3
Movement in other bank balances and bank deposits	-	-
	<u>(47)</u>	<u>(116)</u>



Preethi Kitchen Appliances Private Limited

Cash flow statement for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

Year ended 31 March 2016

Year ended 31 March 2015

C. Cash flow from financing activities

Finance costs	(904)	(756)
Proceeds from finance lease	3	2
Proceeds from short term borrowings	1,824	2,904
Proceeds from issue of equity share	2,780	-
Proceeds from issue of non-cumulative preference shares	954	-
Repayment of export packing credit	-	(241)
Repayment of finance lease	(3)	-
Repayment of short term borrowings	(4,210)	(2,401)
Net cash provided/(used) by financing activities (C)	444	(492)
Net increase/(decrease) in cash and cash equivalents (A + B + C)	954	(9)
Effect of exchange differences on cash and cash equivalents held in foreign currency	-	-
Cash and cash equivalents at the beginning of year	23	32
Cash and cash equivalents at the end of year (refer to note 16)	977	23
TOTAL	977	23

Significant accounting policies

2

The notes referred to above 1-42 form an integral part of the financial statements

As per our report of even date attached

for and on behalf of the Board of directors

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Managing Director

Director

Rupendra Yadav

A.D.A.Ratnam

VIKRAM ADVANI

Partner

ICAI Membership No: 091765

Place: Gurgaon

Date: 16 May 2016

Company Secretary

Place: Gurgaon

Date: 16 May 2016

Ashutosh. R

Preethi Kitchen Appliances Private Limited

Notes to the financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

1 Brief Background of the Company

Preethi Kitchen Appliances Private Limited ('Preethi' / 'the Company') was incorporated as on 21 February 2011. It is a subsidiary of Philips India Limited. The Company sells mixies, table top grinders, coffee makers, induction cookers, electric rice cookers, electric kettle, electric iron box, electric pressure cooker and vessels for induction cooker.

2 Significant accounting policies

a Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014, and the relevant provisions of the Companies Act, 2013 and other pronouncement of Institute of Chartered Accountants of India.

The Company has a net worth of ₹ 3,777 as at 31 March 2016 (31 March 2015 - Negative Net worth of ₹ 4,153), the board of directors consider that it is appropriate to prepare the financial statements on a going concern basis.

b Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c Revenue recognition

Sales are recorded net of trade discounts, rebates, returns and sales tax. Sale of goods / equipment's are recognized on transfer of risks and rewards of ownership in the goods to the customers.

Interest income is recorded on a time proportion basis taking in to account the amounts invested and the rate of interest.

Income from service contracts/arrangements is recognized on completion of the service rendered.

d Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Fixed Assets acquired as part of the business acquisition is recognized at fair value determined on the date of acquisition. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Depreciation is provided on the original cost on a straight line method at the useful life given in Part C of the Schedule II of the Companies Act, 2013 except in case of jigs and dies, where a higher depreciation rate @ 33.33% on Straight Line Method is being used based on technical evaluation. In respect of jigs and dies, the management believes that the useful lives as given above best represent the period over which the Management expects to use the assets.

Assets costing less than Rs.5,000 are fully depreciated in the year of purchase.

e Intangible assets

Intangible assets are being recognized if the Company is able to control the future economic benefits attributable to the assets which are expected to flow to the Company, can restrict the access to others and also the cost of the same can be measured reliably. Intangible assets are amortized on the straight line basis based on the useful lives, which, in management's estimate represent the period during which economic benefit will be derived from their use. Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

The period of amortization for Brands is 8 years which represents the economic useful life of Brands.

Goodwill that arises on the acquisition of a business is presented as an intangible asset. Goodwill arising on acquisition of a business is measured at cost less any accumulated amortisation and any accumulated impairment loss. Goodwill is amortised over a period of 8 years.

f Research and development expenditure

Revenue expenditure is charged to the Statement of profit and loss in the year in which it is incurred and expenditure of a capital nature is capitalized as fixed assets.



Preethi Kitchen Appliances Private Limited

Notes to the financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

g Leases

Operating lease payments are recognized as an expense in the Statement of profit and loss, on a straight line method over the period of lease.

Assets acquired under finance lease during the period, have been capitalized at the lower of their fair value and the present value of the minimum lease payments at the inception of lease. Assets obtained on finance lease are depreciated over the shorter of the lease term and their useful life (not being greater than the useful life envisaged to the schedule II to the Companies Act, 2013) unless it is reasonably certain that the Company will obtain ownership by the end of the lease term, in which case the depreciation rates applicable for similar assets owned by the Company are applied.

h Impairment of assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the 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.

i Inventories

Inventories are valued at cost or net realizable value whichever is lower. For all items, cost is determined on the basis of the weighted average method. Finished goods and work-in-progress include appropriate proportion of costs of conversion. Obsolete, defective and unserviceable stocks, if any have been duly provided for during the period.

j Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the Statement of profit and loss of the year.

The premium or discount arising at the inception of forward exchange contracts, which are not intended for trading or speculation purposes, are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or as expense for the period.

k Replacement guarantee

The Company periodically assesses and provides for the estimated liability on guarantees given on sale of its products based on past performance of such products.

l Retirement benefits

Liability of defined benefit plan is provided on the basis of actuarial valuation carried out by an independent actuary at period end using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in the Statement of profit and loss. The Company's contributions to defined contribution plans are charged to Statement of profit and loss as incurred. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the

Annual contributions are made to the employee's gratuity fund, established with the LIC based on an actuarial valuation carried out by the LIC as at 31 March each year. The fair value of plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis. Actuarial gains and losses are recognized immediately in the Statement of profit and loss. Gain or Losses on the curtailment or settlements of any defined benefit plan are recognized when curtailment or settlement occurs. Liability with respect to the Gratuity plan, determined on the basis of actuarial valuation as described above, and any difference between the fund amount and the liabilities as per actuarial valuation is recognized as an asset or liability. Termination benefits are recognized as and when incurred.

The Company's net obligation in respect of long-term employment benefits, other than gratuity, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated at the balance sheet date on the basis of an actuarial valuation done by an independent actuary using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date. The discount rates used for determining the present value of the obligation under long term employment benefits, are based on the market yields on Government securities as at the balance sheet date.

m Borrowing cost

Borrowing cost directly attributable to acquisition or construction of those fixed Assets which necessarily take a substantial period of time to get ready for the intended use are capitalized.

Other borrowing costs are accounted as an expense.



Preethi Kitchen Appliances Private Limited

Notes to the financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

n Provisions and contingencies

A provision is recognized when:

- a) The Company has a present obligation as a result of a past event;
- b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

o Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares except where the results would be anti-dilutive. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential equity shares.

p Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income tax expense is recognized in profit or loss.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

3 Share capital	As at 31 March 2016		As at 31 March 2015	
	No. of shares	Amount	No. of shares	Amount
Authorised				
Equity share of ₹ 10 each	109,100,000	1,091	15,000,000	150
8% Non-cumulative preference share of ₹ 10 each	12,100,000	121		
		<u>1,212</u>		<u>150</u>
Issued and subscribed				
Equity share of ₹ 10 each, fully paid up	96,219,935	962	14,294,860	143
8% Non-cumulative preference share of ₹ 10 each, fully paid up	11,987,421	120		
		<u>1,082</u>		<u>143</u>
(i) Equity shares held by holding company				
Philips India Limited	49,263,413	493	14,294,860	143
Number of equity shares held				
The number of shares includes beneficial ownership of 600 shares as at 31 March 2016 (31 March 2015: 600 shares)				
(ii) Reconciliation of the number of equity shares outstanding				
At the beginning of the period	14,294,860	143	14,294,860	143
Add: Shares Issued during the year	34,968,553	350	-	-
Add: Compulsorily convertible debentures conversion during the year	46,956,522	469	-	-
At the end of the period	96,219,935	962	14,294,860	143
(iii) Reconciliation of the number of non-cumulative Preference shares outstanding				
At the beginning of the period	-	-	-	-
Add: Shares issued during the year	11,987,421	120	-	-
At the end of the period	11,987,421	120	-	-
(iv) Details of shareholders holding more than 5% shares of the Company				
		% holding		% holding
Philips India Limited (includes beneficial ownership)	49,263,413	51%	14,294,860	100%
Koninklijke Philips N.V.	46,956,522	49%	-	-

(v) Terms and rights attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Failure to pay any amount called up on shares may lead to forfeiture of the shares.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(vi) Terms and rights attached to non-cumulative Preference shares

Compulsorily convertible non-cumulative preference shares were issued at face value of ₹ 10/- in March 2016 and each share is convertible into one fully paid equity share of face value ₹ 10/- at any time after six months from the date of issuance and in any event, not later than a period of two years from issuance by the preference shareholders. The holders of these shares entitled to a non-cumulative dividend of 8%. Preference share shall carry only such other rights as available under the Companies Act, 2013 to the preference shares.



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	As at 31 March 2016	As at 31 March 2015
4 Reserves and surplus		
Securities premium account		
At the beginning of the year	857	857
Add: Premium received during the year	8,194	-
At the end of the year	9,051	857
Deficit in statement of profit and loss		
At the beginning of the year	(5,153)	(3,985)
Add: Loss for the year	(1,202)	(1,168)
At the end of the year	(6,355)	(5,153)
	<u>2,696</u>	<u>(4,296)</u>

	As at 31 March 2016	As at 31 March 2015
5 Long-term borrowings		
Secured		
From others - Finance Lease**	3	4
Unsecured		
Compulsorily convertible debentures*	-	5,400
	<u>3</u>	<u>5,404</u>

46,956,522 Compulsorily convertible debentures ('CCD') were allotted to Koninklijke Philips Electronics N.V, (the ultimate holding company), on 7 April 2011 carrying an interest rate of 10% per annum. The face value of these debentures was ₹ 115 aggregating to ₹ 5,400. The CCD's were convertible into equal number of equity shares at the end of 5 years from the date of issue with a face value of ₹ 10 and a premium of ₹ 105. The CCD's have been converted into Equity on 31 March 2016.

Finance lease represents vehicles taken on lease. The finance lease obligations are secured by the underlying assets (leased vehicles). The legal title to these items vests with their lessors and the same is passed on to the lessee at the end of lease. The lease term for the vehicles ranges between 3-4 years with equated monthly payments commencing from the month subsequent to the commencement of the lease. The total future minimum lease payments at the balance sheet date amounts to ₹ 6 (Non - current and Current) (31 March 2015: ₹ 7) which includes element of interest amounting to ₹ 1 (31 March 2015: ₹ 1). The rate of interest implicit in the above is in the range of 12.00% to 15.00% and the maturity profile of finance lease obligations and their present values are as follows:

	As at 31 March 2016	As at 31 March 2015
Minimum lease payments		
Payable within 1 year	3	3
Payable between 1-5 years	3	4
	<u>As at 31 March 2016</u>	<u>As at 31 March 2015</u>
Present Value		
Payable within 1 year #	2	2
Payable between 1-5 years	3	4

Amount disclosed in other current liabilities (refer note 9)



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

6 Provisions	Long-term		Short-term	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits				
Gratuity (refer note 29)	18	22	-	-
Compensated absences (refer note 29)	14	14	2	2
Others				
Provision for replacement guarantee	9	8	35	32
	41	44	37	34

Disclosure relating to provisions (Long-term and short-term):

(a) Movement in Provision for replacement guarantee:

Particulars of disclosure	As at 31 March 2016	As at 31 March 2015
Opening balance	40	33
Accruals during the year	59	57
Utilisation	(55)	(50)
Closing balance	44	40

(b) Nature of provisions:

Replacement guarantee

The Company provides for the estimated liability on guarantees given on sale of its products based on past performance of such products. The provision represents the expected cost of replacement and free of charge services. It is expected that the expenditure will be incurred over the contractual guarantee period which usually ranges from 12 months to 24 months.



Preethi Kitchen Appliances Private Limited**Notes to financial statements for the year ended 31 March 2016**

(All amounts in Million Indian rupees, except as share data or as stated)

	As at 31 March 2016	As at 31 March 2015
7 Short-term borrowings		
Inter corporate deposits (Unsecured)	-	2,425
Overdraft facilities from banks (Unsecured)	6	15
Other facilities from Bank of America (Unsecured)	148	100
	154	2,540

The Company had taken intercorporate deposits from Philips India Limited carrying an average rate of 9.% p.a.

Other facilities from Bank of America represents supplier financing. Supplier financing is repayable over next two months from the end of the financial year and no interest is charged for the facility from the Company.

8 Trade payables

Trade payables	572	485
(For dues to micro, small and medium enterprises - refer note 30)		
	572	485

9 Other current liabilities

Current maturities of finance lease obligations (refer note 5)	2	2
Other payables:		
Interest accrued but not due	-	135
Payables for purchase of fixed assets	33	8
Advance received from customers	7	18
Employee related payable	39	39
Security deposits	8	5
Statutory dues (Sales tax, Entry tax, TDS ,PF and ESI etc.,)	77	49
	166	256



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Gross block at cost			Accumulated depreciation / amortisation				Net block	
	As at beginning	Additions during the year	Disposals and adjustments	As at end	As at beginning	For the year	On disposals and adjustments	As at end	As at
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				(1+2-3)				(5+6-7)	(4-8)
				(4)	(5)	(6)	(7)	(8)	(9)
									(1-5)
									(10)
10 Tangible assets									
Freehold Land #	138	-	-	138	-	-	-	-	138
Buildings #	279	2	1	280	20	9	-	29	251
Plant and equipment	351	22	42	331	181	47	22	206	125
Computers	13	8	2	19	8	4	1	11	8
Vehicles									
Owned	16	-	1	15	7	3	1	9	6
Under finance lease	7	2	1	8	1	1	-	2	6
Furniture and fixtures	14	2	3	13	5	1	1	5	8
Total	818	36	50	804	222	65	25	262	542
									596

11 Intangible assets

Goodwill *	2,845	-	-	2,845	1,219	406	-	1,625	1,220
Brands *	2,913	-	-	2,913	1,415	375	-	1,790	1,123
Total	5,758	-	-	5,758	2,634	781	-	3,415	2,343
									3,124

* The remaining amortisation period of Brands and goodwill is 3 years

Title deeds of Freehold Land and Buildings net block aggregating to ₹ 389 (31 March 2015: ₹ 397), are acquired on transfer of business/undertakings. The Company holds the title deeds in respect of the above mentioned Freehold land and Buildings in the name of the Company.



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Gross block at cost			Accumulated depreciation / amortisation				Net block		
	As at beginning	Additions during the year	Disposals and adjustments	As at end	As at beginning	For the year	On disposals and adjustments	As at end	As at 31 March 2015	As at 31 March 2014
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(1-5)
10 Tangible assets										
Freehold Land	138	-	-	138	-	-	-	-	138	138
Buildings	135	144	-	279	14	6	-	20	259	121
Plant and equipment	297	55	1	351	136	45	-	181	170	161
Computers	11	2	-	13	3	5	-	8	5	8
Vehicles				-						
Owned	15	2	1	16	5	2	-	7	9	10
Under finance lease	6	1	-	7	-	1	-	1	6	6
Furniture and fixtures	14	-	-	14	4	1	-	5	9	10
Total	616	204	2	818	162	60	-	222	596	454
11 Intangible assets										
Goodwill *	2,845	-	-	2,845	813	406		1,219	1,626	2,032
Brands *	2,913	-	-	2,913	1,040	375	-	1,415	1,498	1,873
Total	5,758	-	-	5,758	1,853	781	-	2,634	3,124	3,905

* The remaining amortisation period of Brands and goodwill is 4 years



	As at 31 March 2016	As at 31 March 2015
12 Long-term loans and advances		
(a) Unsecured, considered good		
Sales tax/VAT receivable	45	73
Capital advances	22	4
Tax deducted at source (Net of provision: ₹ Nil)	9	7
	<u>76</u>	<u>84</u>
13 Other non-current assets		
Bank deposits (due to mature after 12 months from the reporting date) (Refer Note 16)	-	0
	<u>-</u>	<u>0</u>
14 Inventories		
(Valued at lower of cost and net realisable value)		
Raw materials	209	206
(includes goods in transit - ₹ Nil (31 March 2015: ₹ 1)		
Finished goods	262	278
(includes goods in transit - ₹ 35 (31 March 2015: ₹ 18)		
Stock in trade	83	149
(includes goods in transit - ₹ 2 (31 March 2015: ₹ 2)		
	<u>554</u>	<u>633</u>
Closing stock includes excise duty value amounting to ₹ 2 (31 March 2015 : ₹ 5)		
15 Trade receivables		
Outstanding for a period exceeding six months from the due date for payment		
Unsecured, considered good	6	1
Less: Provision for doubtful receivables	-	1
	<u>6</u>	<u>-</u>
Others		
Unsecured, considered good	124	85
Less: Provision for doubtful receivables	-	-
	<u>124</u>	<u>85</u>
	<u>130</u>	<u>85</u>
Trade receivables (considered good) include ₹ 36 (31 March 2015: ₹ 3) due from companies in which directors of the Company are interested. Also refer note 31.		



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	As at 31 March 2016	As at 31 March 2015
16 Cash and bank balances		
Cash and cash equivalents		
Cash on hand	1	2
Balance with banks		
Current account	4	5
Cheque on hand	19	16
	<u>24</u>	<u>23</u>
Deposits with bank (due to mature within 12 months from the reporting date)	953	-
	<u>977</u>	<u>23</u>
Details of Bank balances / Deposits		
Bank deposits due to mature after 12 months of the reporting date included under other non-current assets (Refer Note 13)	-	0
17 Short-term loans and advances		
To parties other than related parties		
(a) Unsecured, considered good		
Security deposits	26	22
Advance to suppliers	35	17
CENVAT/Service tax receivable	17	13
Balance with customs, port trust etc.,	10	8
Prepaid expenses	2	2
Advances to employees	3	3
	<u>93</u>	<u>65</u>
(b) Unsecured, considered doubtful		
Advance to suppliers	-	1
Less: Provision for doubtful advances	-	1
	<u>-</u>	<u>-</u>
	<u>93</u>	<u>65</u>
18 Other current assets		
Insurance claim receivable	5	-
	<u>5</u>	<u>-</u>



	Year ended 31 March 2016	Year ended 31 March 2015
19 Revenue from operations		
Sale of products (gross)	4,862	4,189
Sale of services	24	87
Other operating revenues	44	60
Revenue from operations (gross)	4,930	4,336
Break up of revenue from sale of products (gross)		
Mixies	3,382	3,115
Gas stove	404	152
Induction cooktop	309	296
Wet grinders	190	158
Juicer mixer grinder	124	46
Electric cooker	56	44
Juicer	38	33
Iron box	39	39
Coffee makers	27	19
Electric kettle	24	-
Chopper	13	20
Food processor	6	11
Electric pressure cooker	4	1
Hand blender	4	4
Sandwich maker	-	50
Accessories, vessels and spares etc.,	242	201
	4,862	4,189
Break up of revenue from sale of services		
General service agreement revenue	-	11
Revenue from research and development recharge	24	76
	24	87
Break up of revenue from other operating revenue		
Liabilities no longer required written back	38	52
Duty drawback	5	5
Refund of management support services	-	3
Insurance claim	1	-
	44	60
20 Other income		
Interest income on fixed deposits	-	-
Cash discount received on supplier financing	5	3
Net gain on account of foreign exchange fluctuations	3	2
	8	5



21 Cost of materials consumed

	Year ended 31 March 2016	Year ended 31 March 2015
Inventory, stores & spares of materials at the beginning of the year	206	244
Add:		
Purchases during the year	2,259	1,885
Less:		
Inventory, stores & spares of materials at the end of the year (including goods in transit of ₹ 0) (31 March 2015: ₹ 3)	209	206
	2,256	1,923

Break up of cost of materials consumed

Stainless steel jar	243	195
Electric motor	118	136
Jar assembly	56	117
Enamelled copper wire	97	85
Sintered bush	87	78
Blade	66	55
ABS materials	25	12
Others	1,564	1,245
	2,256	1,923

Break of stocks as at end

Electric motor	21	20
Jar assembly	13	11
Stainless steel jar	14	10
ABS materials	1	-
Enamelled copper wire	4	4
Blade	4	4
Sintered bush	4	3
Others *	148	154
	209	206

* None of the other items individually account for more than 10% of the total value



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

22 Purchases of stock-in-trade

	Year ended 31 March 2016	Year ended 31 March 2015
Induction cooktop	122	372
Wet grinders	92	119
Electric cooker	28	55
Juicer	23	34
Iron box	26	31
Gas stove	251	30
Turbo chopper	3	21
Food processor	-	16
Hand blender	3	4
Electric pressure cooker	8	-
Electric kettle	21	-
Others/vessels	13	9
	590	691



Year ended
31 March 2016Year ended
31 March 201523 Changes in inventories of
finished goods, stock-in-
trade and work-in-progress

	Opening inventory	Closing inventory	(Increase)/ decrease in inventory	Opening inventory	Closing inventory	(Increase)/ decrease in inventory
Finished goods						
Mixies	273	259	14	286	272	14
Wet grinders	5	1	4	8	5	3
Coffee makers	1	2	(1)	3	1	2
Sandwich maker	-	-	-	-	-	-
Others	-	-	-	49	-	49
	279	262	17	346	278	68
Stock-in-trade (goods purchased for resale)						
Induction cooktop	76	14	62	-	76	(76)
Gas stove	23	33	(10)	-	23	(23)
Electric cooker	14	6	8	3	14	(11)
Wet grinders	13	8	5	6	13	(7)
Turbo chopper	6	2	4	4	6	(2)
Food processor	4	1	3	-	4	(4)
Iron box	2	3	(1)	10	2	8
Hand blender	-	1	(1)	1	-	1
Juicer	-	3	(3)	-	-	-
Electric pressure cooker	-	5	(5)	1	-	1
Electric kettle	-	5	(5)	-	-	-
Others/vessels	10	2	8	11	11	-
	148	83	65	36	149	(113)
Semi-finished goods						
Induction cooktop	-	-	-	16	-	16
	-	-	-	16	-	16
	427	345	82	398	427	(29)



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Year ended 31 March 2016	Year ended 31 March 2015
24 Employee benefit expenses		
Salaries and wages	349	296
Contribution to provident and other funds	20	36
Staff welfare	40	34
	409	366
25 Finance costs		
Interest expenses	769	757
	769	757
26 Depreciation and amortisation		
Depreciation on tangible assets	65	60
Amortisation of intangible assets	781	781
	846	841
27 Other expenses		
Discounts and incentives	131	129
Support services #	10	14
Packing, freight and transport	188	147
Replacement guarantee	59	57
Travelling and conveyance	54	50
Rent	37	37
Rates and taxes	26	2
Repairs and maintenance		
Repairs to machinery	12	11
Repairs to buildings	4	7
Business support services ##	67	49
Marketing & Selling expenses	346	240
Power and fuel	17	18
Testing & Product development	32	23
Legal and professional (Refer Note 28)	21	15
Provision for doubtful trade receivables and loans and advances	-	2
Security charges	10	10



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	Year ended 31 March 2016	Year ended 31 March 2015
Communication and IT costs	9	8
Insurance	5	6
Printing & Stationery	1	2
Loss on sale of fixed assets	19	-
Excise duty *	(3)	5
Miscellaneous	1	2
	1,046	834

* Excise duty recovered through sales is disclosed as a reduction from sales and excise duty in opening and closing stock of finished goods is disclosed separately in note 14 to financial statements. The excise duty not recovered from sales is disclosed as "excise duty" expense above.

Pursuant to the agreement entered into by the Company with Koninklijke Philips N.V. ("KPNV"), the Company has incurred ₹ 9 (31 March 2015 - ₹ 14) towards the IT support services provided. Also during the year, the Company has entered into an agreement with Philips Electronics Singapore Pte Limited towards Accounting and Internal control support. The Company has incurred ₹ 1 (31 March 2015 - ₹ Nil) towards this service.

Based on the arrangement with Philips India Limited, the Company has incurred ₹ 67 (31 March 2015 - ₹ 49) towards business support services (Staff cost sharing).

28 Legal and professional includes payments to auditors as given below:

As auditor

Statutory audit	3	2
Tax audit	0	0
Reimbursement of expenses	0	0
Total	3	2



29 Employee benefits**Defined contribution plans:**

The Company makes contributions, determined as a specified percentage of employees salaries, in respect of qualifying employees towards provident fund, which is a defined contribution plan. The Company has no obligation other than to make the specified contributions. The contributions are charged to the Statement of profit and loss as they accrue. The amount charged to Statement of profit and loss for the year ended 31 March 2016 is ₹ 19 (Year ended 31 March 2015: ₹ 20)

Defined benefit plans:**Gratuity:**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at:

- (i) one month's salary (last drawn basic salary plus fixed dearness allowance for each completed year of service subject to a maximum of twenty months salary, or
- (ii) 15 days salary for each completed year of service calculated as per the Payment of Gratuity Act, 1972, whichever is higher.

The employees Gratuity fund scheme managed by the Life Insurance Corporation of India (LIC) is a defined benefit plan. The present value of obligation is determined by the LIC based on actuarial valuation. The principal assumptions are the discount rate and salary growth rate. The discount rate is based upon the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligation. Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Disclosure relating to Defined benefit plans / Long term compensated absences

As per actuarial valuation as on 31 March 2016 and recognized in the financial statements in respect of Retirement Benefits

	Gratuity		Compensated absences	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
(a) Change in present value of benefit obligation during the year				
Projected benefit obligation, beginning of year	46	29	16	9
Current service cost	11	6	8	4
Interest cost	4	3	1	1
Actuarial (gains)/losses	(12)	10	(7)	5
Benefits paid	(3)	(2)	(2)	(3)
Projected benefit obligation, end of year	46	46	16	16
(b) Change in plan assets				
Fair value of planned assets at the beginning of the year	24	17	-	-
Expected return on planned assets	2	2	-	-
Employer contributions	5	6	-	-
Actuarial gains / (loss)	-	1	-	-
Benefits paid	(3)	(2)	-	-
Fair value of planned assets at the end of the year	28	24	-	-



(All amounts in Million Indian rupees, except as share data or as stated)

	Gratuity		Compensated absences	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
(c) Amounts in Balance Sheet				
Projected benefit obligation (PBO) as at end of the year	46	46	16	16
Fair value of plan assets	28	24	-	-
(Asset)/liability recognized in the balance sheet	18	22	16	16
	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2015
(d) Amounts recognized in statement of profit and loss				
Current service cost	11	6	8	4
Interest cost	4	3	1	1
Expected return on plan assets	(2)	(2)	-	-
Past service cost	-	-	-	-
Net actuarial losses/(gains) recognized in the year	(12)	9	(7)	5
Total expense/(income) included in "Employee benefit expenses"	1	16	2	10
(e) Actual return on plan assets:				
Expected return on plan assets	2	2	-	-
Actuarial gain/(loss) on plan assets	-	1	-	-
Actual returns on plan assets	2	3	-	-
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
(f) Reconciliation of present value of obligation and the fair value of plan assets				
Present value of projected benefit obligation at the end of the year	46	46	16	-
Funded status of the plans	28	24	-	-
Funded status amount of liability / (asset) recognized in the balance sheet	18	22	16	-
(g) Classification into Current & Non-current				
Current	-	-	2	2
Non-current	18	22	14	14
Total	18	22	16	16

Experience Adjustment for the current and previous four years:

Gratuity

Particulars	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
Defined benefit obligations	46	46	29	39	24
Plan assets	28	24	17	17	13
Deficit/(Surplus)	18	22	12	21	11
Experience adjustments - plan assets	-	1	-	-	-
(Gains)/losses due to change in assumptions	(7)	7	(17)	6	-
Experience adjustments - Plan liabilities	(5)	3	3	3	13
Total (gain)/loss	(12)	10	(14)	9	13



Leave encashment

Particulars	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2013	Year ended 31 March 2012
Defined benefit obligations	16	15	9	12	4
Plan assets	-	-	-	-	-
Deficit/(Surplus)	16	15	9	12	4
Experience adjustments - plan assets	-	-	-	-	-
(Gains)/losses due to change in assumptions	(2)	2	(5)	3	-
Experience adjustments - Plan liabilities	(5)	2	-	6	-
Total (gain)/loss	(7)	5	(5)	9	-

Discount rate	7.70%	7.80%
Expected return on planned assets	8.75%	8.75%
Future salary increases	12.00%	12.00%
Mortality	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate
Disability	None	None
Employee turnover	CG -12% Staff - 20% Workers -8%	CG -10% Staff - 18% Workers -3%
Normal retirement age	58 years	58 years

30 Micro, small and medium enterprises

The Company has identified enterprises which have provided goods and services and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Such determination / identification has been done on the basis of information received and available with the Company and relied upon by the auditors. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2016 has been made in the financial statements based on information received and available with the Company.

Description	As at 31 March 2016	As at 31 March 2015
(i) a) Principal amount remaining unpaid to any supplier as at the end of the year	84	114
b) Interest due on the above amount	-	-
Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year.	-	-
(iii) Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act.	-	-
(iv) Amount of interest accrued and remaining unpaid at the end of the year.	-	-
(v) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-



31 Related party transactions

(a) Names of companies where control exists:

Holding company

Philips India Limited

Ultimate holding company

Koninklijke Philips N.V (KPNV)

(b) Other related parties with whom transactions have taken place during the year:

(i) Overseas fellow subsidiary companies

Philips Electronics Singapore Pte Limited

Philips Electronics Malaysia Pte Limited

Philips Consumer Life Style , Korea

Philips Electronics Middle East & Africa BV

Philips Electronics Netherland BV

Philips (China) Investment Co. Limited

Philips South Africa Pty Limited

Philips Do Brasil Ltda, Brazil

(ii) Individuals having significant influence

Mr. A.D. A. Ratnam - Director

(iii) Key managerial personnel

Mr. Rupendra Yadav - CEO and Managing Director



(All amounts in Million Indian rupees, except as share data or as stated)

Related party transactions

(c) Nature of transactions and outstanding balances

	Year ended 31 March 2016					Year ended 31 March 2015				
	Ultimate Holding Company	Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel	Ultimate Holding Company	Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel		
Sale of products	-	387	153	-	-	297	132	-		
Purchase of goods	-	3	-	-	-	2	-	-		
Interest on Inter corporate deposits	-	227	-	-	-	202	-	-		
Revenue from research and development recharge	-	24	-	-	-	82	-	-		
Business support services	-	67	-	-	-	52	-	-		
Inter corporate deposit received	-	1,670	-	-	-	1,958	-	-		
Inter corporate deposit repaid	-	4,095	-	-	-	1,483	-	-		
Reimbursement of expenses	-	1	-	-	-	3	1	-		
General Service Agreement - Counter Claim	-	-	-	-	11	-	-	-		
General Service Agreement - Charges (Refund)	-	-	-	-	3	-	-	-		
IT Support services	9	-	-	-	14	-	-	-		
Accounting and internal control support services	-	-	1	-	-	-	-	-		
Interest on CCD's	540	-	-	-	540	-	-	-		
Face value of 8% Non-cumulative preference share issued	-	120	-	-	-	-	-	-		
Securities premium received on issue of 8% Non-cumulative preference share	-	834	-	-	-	-	-	-		
Face value of equity shares issued	-	350	-	-	-	-	-	-		
Securities premium received on issue of equity shares	-	2,430	-	-	-	-	-	-		
Face value of equity shares on conversion of compulsorily convertible debentures	469	-	-	-	-	-	-	-		
Securities premium on conversion of compulsorily convertible debentures	4,930	-	-	-	-	-	-	-		
MANAGERIAL REMUNERATION										
Mr. Rupendra Yadav	-	-	-	-	-	-	-	-		
OUTSTANDINGS										
Trade receivables	-	36	25	-	-	3	10	-		
Trade payables	19	-	-	-	11	-	-	-		
Inter corporate deposit payable	-	-	-	-	-	2,425	-	-		
Compulsorily convertible debentures	-	-	-	-	5,400	-	-	-		
Debentures interest payable	-	-	-	-	122	-	-	-		
Inter corporate deposit interest payable	-	-	-	-	-	14	-	-		



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

Related party transactions

(d) Details of significant related party transactions - more than 10%

Relationship / Name of the related party	Description of the nature of transaction	Value of the transactions	
		March 31, 2016	March 31, 2015
(i) Holding Company: <			



32 Segment information**(a) Business segments**

The Company considers its business segment as its primary segment. It is engaged in the business of manufacturing and sale of domestic appliances. The manufacturing activities are not distinguishable on the basis of risk and return, the methods of distribution and regulatory environment, accordingly, the Company views the entire business as one segment.

Therefore the disclosure requirements of Accounting Standard 17, "Segment Reporting", prescribed by the Companies (Accounting Standard) Rules 2006 in relation to primary segment are not required to be given.

(b) Geographical segments

The secondary segment for the Company is geographic segments and is based on the location of its customers within India (domestic) and outside India (exports). Information on the geographic segment is as follows:

Description	Year ended 31 March 2016	Year ended 31 March 2015	Description	As at 31 March 2016	As at 31 March 2015
REVENUE			ASSETS		
a. Within India	4,488	3,958	a. Within India	4,726	4,600
b. Outside India	300	252	b. Outside India	25	10
Total	4,788	4,210		4,751	4,610
Capital expenditure					
a. Within India	67	130			
b. Outside India	-	-			
Total	67	130			

Segment accounting policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 2 to this schedule on significant accounting policies. The description of segment assets and the accounting policies in relation to segment accounting are as under:

(i) Segment assets

Segment assets include all operating assets used by a segment and consist primarily of fixed assets, current assets and loans and advances. Segment assets in the geographical segments considered for disclosure represent sundry debtor balances. Since all the business activities of the Company are conducted from locations within India, all the remaining assets are attributed to India operations.

(ii) Segment revenue

Segment revenues are directly attributable to the segment and have been allocated to various segments on the basis of specific identification. However, segment revenues do not include interest and other income in respect of non segmental activities and have remained unallocated.

Revenue in the geographical segments considered for disclosures are as follows:

Revenue within India include sale of goods in India to customers located within India; and revenues outside India include sale of goods outside India to customers located outside India. Income from service contracts/arrangements is recognized on completion of the service rendered.



	Year ended 31 March 2016		Year ended 31 March 2015	
	% of total consumption	₹	% of total consumption	₹
33 Consumption of raw materials and spares				
Raw materials and Spares:				
Imported	2%	47	1%	27
Indigenous	98%	2,209	99%	1,896
Total		2,256		1,923

34 Income and expenditure in foreign exchange

Income		
Exports at F.O.B.	300	252
Expenditure		
Interest cost on compulsorily convertible debentures	540	540
IT Support services	10	14
Travel expenses	1	1
Imports at C.I.F.		
Raw materials	49	25
Finished goods	107	169

35 Unhedged foreign currency exposure

	As at 31 March 2016		As at 31 March 2015	
	Foreign Currency (in '000s)	₹	Foreign Currency (in '000s)	₹
Trade receivables				
USD	374	25	166	10
		25		10
Advances to Supplier				
USD	18	1	43	3
Payables				
USD	402	27	255	16
CHF	2	-	-	-
EUR	-	-	-	-
SGD	7	-	-	-
		27		16

36 Derivative Instruments

The Company uses forward exchange contracts to hedge its exposure in foreign currency. The information on forward contracts is as follows:

	As at 31 March 2016		As at 31 March 2015	
	Foreign currency	₹	Foreign currency	₹
Payables	-	-	-	-



37 Deferred tax computation

Deferred tax assets	As at 31 March 2016	As at 31 March 2015
Carry forward loss	2,507	2,215
Gratuity	6	8
Compensated absences	6	5
Bonus	11	7
Preliminary expenses	-	-
Provision for doubtful debts and advances	-	1
	<u>2,530</u>	<u>2,236</u>
Deferred tax liabilities		
Depreciation	(328)	(449)
	<u>(328)</u>	<u>(449)</u>
Deferred tax asset/ (liability) - Net	<u>-</u>	<u>-</u>

The Company has scaled down the deferred tax asset on account of current liabilities, provisions, unabsorbed depreciation and carry forward losses under tax laws to the extent that the aggregate of the deferred tax asset matches with the aggregate of the deferred tax liability as at the period end.

38 Transfer Pricing

The Company has international transactions with related parties. For the previous year, the Company has obtained the Accountant's Report from a Chartered Accountant as required by the relevant provisions of the Income tax Act, 1961 and has filed it with the tax authorities within the time lines prescribed under the Act. The management has a policy of maintaining documents as prescribed by the Income tax Act to prove that these international transactions are at arm's length and for the current year, confirms that it maintains such documents and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.



Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2016

(All amounts in Million Indian rupees, except as share data or as stated)

	For the year 31 March 2016	For the year 31 March 2015
39 Earnings per share		
Calculation of earnings per share		
(a) Number of shares at the beginning of the year	14,294,860	14,294,860
(i) Total number of equity shares outstanding at the end of the year	96,219,935	14,294,860
(ii) Weighted average number of equity shares outstanding during the year	14,614,242	14,294,860
(b) Loss after tax attributable to equity share holders	(1,202)	(1,168)
(c) Basic and diluted earnings per share (in ₹)	(82.25)	(81.71)

40 Contingent liabilities and commitments (to the extent not provided for)

(a) Contingent liabilities

(i) Claims not acknowledged as debts by the Company	-	3
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The Company does not expect any reimbursements in respect of the above contingent liabilities. It is not practicable to estimate the timing of cash outflows, if any, in respect above pending resolution of the legal proceedings.

(b) Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for	63	19
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41 Revision in estimated useful life

The Company during the previous year revised the estimated useful life of the fixed assets to be in line with the Part C of the Schedule II of the Companies Act, 2013. The impact of such change is in incremental depreciation of ₹ Nil (31 March 2015: ₹ 14), accordingly the value of tangible fixed assets is lower to the same extent

42 Prior period comparatives

Previous period figures, have been reclassified/regrouped wherever necessary to confirm to current year's classification.

As per our report of even date attached

for and on behalf of the Board of directors.

for B S R & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI

Partner

ICAI Membership No: 091765

Place: Gurgaon

Date: 16 May 2016

Managing Director

Director

Company Secretary

Place: Gurgaon

Date: 16 May 2016

Rupendra Yadav

A.D.A.Ratnam

Achuthan. R