

TVS MOTOR COMPANY LIMITED

**Annual Report of Subsidiary Companies
for the year 2016-2017**

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SUNDARAM AUTO COMPONENTS LIMITED

Board of Directors

H. LAKSHMANAN, Chairman
R. RAMAKRISHNAN
Dr. LAKSHMI VENU
S. SANTHANAKRISHNAN
C. N. PRASAD
S. G. MURALI

Audit Committee

H. LAKSHMANAN, Chairman
R. RAMAKRISHNAN
S. SANTHANAKRISHNAN

Nomination and Remuneration Committee

R. RAMAKRISHNAN, Chairman
H. LAKSHMANAN
S. SANTHANAKRISHNAN

Corporate Social Responsibility Committee

H. LAKSHMANAN, Chairman
R. RAMAKRISHNAN
Dr. LAKSHMI VENU

Chief Executive Officer

RAJESH OOMMEN

Chief Financial Officer

J ASHOK CHAKRAVARTHI

Company Secretary

P.D. DEV KISHAN

Auditors

SUNDARAM & SRINIVASAN
Chartered Accountants,
New No. 4 (Old No. 23) Sir C.P. Ramaswamy Road,
Alwarpet, Chennai 600 018.

Bankers

STATE BANK OF INDIA
Industrial Finance Branch
Anna Salai, Chennai 600 002

Registered Office:

"Jayalakshmi Estates"
29, Haddows Road
Chennai 600 006
Tel.: 044 2827 2233
Fax : 044 2825 7121
E-mail: corpsec@scl.co.in
Web site: www.sundaramautocomponents.com
CIN : U29249TN1992PLC051417

Plant Locations

- 1) Belagondapalli, Hosur 635 114.
- 2) Oragadam, Kancheepuram District 602 105.
- 3) Byathahalli Village, Kadakola Post, Mysore 571 311.
- 4) Bhatian Village, Solan District, Himachal Pradesh 174 101.

Directors' Report to the Shareholders

The directors are pleased to present the twenty-fifth annual report together with the audited financial statements for the year ended 31st March 2017.

Financial Highlights

Details	(Rs.in crores)	
	Year ended 31.03.2017	Year ended 31.03.2016
Sales and other income (A)	2,915.95	2,798.17
Expenses		
Cost of material consumed	318.25	322.51
Purchase of stock in trade	2,328.44	2,227.82
Changes in inventories of finished goods, stock-in-trade and work-in-progress	0.79	(27.79)
Excise duty	56.52	60.61
Employee benefit expenses	56.79	50.99
Finance costs	3.40	3.75
Depreciation and amortisation expense	15.51	13.07
Other expenses	111.16	107.28
Total expenses (B)	2,890.86	2,758.24
Profit before exceptional items and tax (A) - (B)	25.09	39.93
Add: Exceptional items	9.84	3.23
Profit before tax	34.93	43.16
Less: Income tax expense:		
Current Tax	7.31	11.93
Deferred Tax	2.54	1.85
Profit for the period	25.08	29.38
Other Comprehensive income for the period, net of tax	(0.65)	(0.47)
Total comprehensive income for the period	24.43	28.91

Preparation of financial statements under Indian Accounting Standards

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 16th February, 2015 relating to the Companies (Indian Accounting Standard) Rules, 2015, TVS Motor Company Limited (TVSM), the holding company, is required to adopt Indian Accounting Standards ("IND AS") from financial year 2016-17.

In terms of Rule 4(1)(ii) of the aforesaid rules, the holding, subsidiary, joint venture and associate companies are required to comply with IND AS from financial year 2016-17. Accordingly, the financial statements of the Company for the year 2016-17 have been prepared in compliance with the said rules.

Changes in Share Capital

The Company's paid-up Equity Share Capital as on 31st March 2017 is Rs.14.55 Cr as compared to Rs.11.55 Cr in the previous year.

During the year, the board of directors (the board) has allotted 5,00,000 and 25,00,000 equity shares of Rs.10 each at a premium of Rs.70 per share to TVSM, the holding company, on rights basis in two tranches on 29th June 2016 and 21st January 2017 respectively.

Dividend

The board, at their meeting held on 22nd October 2016, declared first interim dividend of Rs.5 per share on 1,20,50,000 equity shares of Rs.10 each fully paid up, absorbing a sum of Rs.7.25 Cr including dividend distribution tax and paid to the holding company viz., TVS Motor Company Limited (TVSM) on 25th October 2016.

The board at their meeting held on 3rd March 2017, declared second interim dividend of Rs.1.50 per share on 1,45,50,000 equity shares of Rs.10 each fully paid up, absorbing a sum of Rs.2.63 Cr including dividend distribution tax and paid to TVSM on 7th March 2017.

Hence, the total amount of dividend paid per share, aggregate to Rs.6.50 (65%) for the year ended 31st March 2017 thereby absorbing a sum of Rs.9.88 Cr including dividend distribution tax.

The board does not recommend any further dividend for the year under consideration.

Industry Performance

This year has been an eventful year for the Indian automotive industry. From the ban on diesel cars to demonetization and the very recent ban on sale and registration of BS III vehicles, auto manufacturers in India have experienced a handful of major challenges in this fiscal year.

The two-wheeler industry, which has been with high double-digit growth till October, 2016 is likely to nullify the note ban shocks and close the outgoing financial year with a 5% - 7% growth.

During the demonetization period, only moped sales have remained relatively insulated and have maintained their double-digit growth, albeit on a low base, growing 26.8%. On other hand, scooters while continuing to out-pace the industry growth, has grown so far at 12.5%, which though is much lower than 24.7% growth till the month of September 2016. Motorcycles, which had been on the path of revival from the de-growth and flat sales reported since fiscal 2013, again returned to low growth levels of 5.1% in the aftermath of demonetisation.

The Indian passenger vehicle industry recorded robust sales in the last month of the fiscal year 2016-17. The continuing surge in SUV sales and increased offtake by app-based taxi service providers have helped drive gains. From the month of April 2016 to February 2017 period, the passenger vehicle industry had registered total sales of 2,764,206 units i.e., 235,794 units short of the 3 million mark. Thus, as per the latest industry sales update of the major OEMs which have sold a total of 259,992 units in March 2017, the 3 million mark has been breached for the first time and is headed for higher numbers when the other eight OEMs announce their March sales.

Commercial vehicle OEMs ended fiscal year 2016-17 with muted sales numbers. Sales results of four leading OEMs reveals a 3.4% year on year growth. While the commercial vehicle industry was motoring along smoothly due to the replacement-led demand till end of October 2016 with total sales of 399,000 units and year on year growth of nearly 7%, it was buffeted strongly by the wind of demonetisation and more recently by the mandatory shift to BS IV emission norms. Commercial vehicle players also saw sales slowdown as buyers delayed their fleet expansion plans expecting that the upcoming GST may bring down vehicle prices.

Category	2015-16	2016-17	Variance (in %)
	(Nos. in lakhs)		
Two wheelers	189	199	5%
Passenger Vehicles	34.4	37.7	9%
Medium and Heavy Commercial vehicles	3.4	3.3	-2%

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Company Performance

Sales of the Company grew 5% upto October 2016 but were affected during the period from November 2016 to March 2017 consequent to impact of demonetization. In addition, the change from BS III to BS IV emission norms resulted in the OEM reducing the inventory. Consequently the turnover of Plastic components business declined marginally from Rs.552 Cr in 2015-16 to Rs.539 Cr in 2016-17. Total turnover of the Company including Two wheeler distribution business grew by 4% and revenue increased from Rs.2,795 Cr to Rs.2,914 Cr and earned a profit before tax of Rs.35 Cr during the year 2016-17.

Business outlook

GDP is expected to be around 7% and the inflation is expected at 4.5% levels.

The note ban-induced liquidity crisis has resulted in sales falling 11.3% between November 2016 and January 2017. The conversion to BS IV emission norms, which has come into effect from 1st April 2017, also resulted in some inventory correction taking place across OEMs from February, 2017. ICRA Ltd, a premier rating agency, expects some deferred purchases during Q3 and Q4 to result in better sales in fiscal 2018, leading to 8 to 10% growth during the year.

The passenger vehicle industry's capacity was augmented by 320,000 vehicles in the year 2016-17. The industry's manufacturing capacity is likely to be expanded by 1.4 million units during the period 2017-2018. Passenger vehicle sales in India are likely to grow in the range of 7% to 9% next year on the back of low fuel prices and an accommodative monetary policy stance by the Reserve Bank of India. ICRA predicts that the Commercial vehicle industry is likely to witness 6% to 8% growth in FY 2018 aided by higher budgetary allocation towards the infrastructure and rural sectors. Potential implementation of a scrappage programme will also trigger replacement demand.

With the overall growth in the automotive industry and with the new products planned by the Company for its customers, the Company's overall sales during 2017-18 are expected to grow by 9%.

Awards

The Company was recognized and rewarded by the following customers during the year 2016-17;

Takata : Best Support for New product development

Daimler India : Nominated for Excellence in Innovation

Hannon Automotive Systems India : Best Trolley Management

Financial performance of the Subsidiary and Associate

As on the date of the report, the following are the Subsidiary and Associate of the Company:

Subsidiary Company

Sundaram Holding USA Inc. (SHUI) & its subsidiaries:

The Company along with its holding company, viz., Sundaram-Clayton Limited has made an investment of 5.3 Mn USD in SHUI a company established under the applicable provisions of Laws of United States of America. SHUI's wholly owned subsidiaries are:

1. Green Hills Land holding LLC, South Carolina, USA
2. Component Equipment Leasing LLC, South Carolina, USA
3. Workspace Project LLC, South Carolina, USA
4. Premier Land Holding LLC, South Carolina, USA

SHUI has acquired land in Dorchester County, USA for its plant, where it will manufacture High Pressure Die Cast and Gravity Cast parts. Construction at the site is expected to begin during the first half of 2017-18 and commercial production is expected to commence towards the end of 2018-19. The loss after tax for the financial year ended 31st March 2017 was USD 939,237 as against USD 310,318 in the previous year ended 31st March 2016 due to pre commencement operational expenses.

Associate Company

Green Infra Wind Energy Theni Limited (Formerly TVS Wind Energy Limited)

The Company's investment of Rs.3 Cr for subscribing to 30,00,000 equity shares of Rs.10 each representing 21.58% in Green Infra Wind Energy Theni Limited (Green Infra) was made to comply with the legal requirement of being eligible as captive consumer to draw low cost green energy units produced by Green Infra.

During the year under review, Green Infra reported a PBT of Rs.4.64 Cr.

Ministry of Corporate Affairs vide its notification dated 14th October 2014 has exempted the Companies in preparation of consolidated financial statements by intermediate wholly-owned subsidiaries, other than a wholly-owned subsidiary whose immediate parent is a Company incorporated outside India. Since TVSM, the holding Company is consolidating the accounts, the Company is exempted from preparation of consolidated financial statements.

However, the salient features of the financial statement of the Subsidiary and Associate in Form AOC-1, are annexed as Annexure IV, in terms of Section 129(3) of the Companies Act 2013 (the Act, 2013) read with Rule 5 of the Companies (Accounts) Rules, 2014.

Risk Management

The Board has established a robust Risk Management framework to identify, monitor and minimize risks as well as to identify business opportunities.

Risk evaluation and management is an ongoing process. As a process, risks associated with the business are identified and prioritized based on the Company's overall risk appetite, tolerance, strategy, severity and taking account of the current and prospective economic and financial environment.

The risk function is mainly looked after by a team under CEO of the Company embedded in the business. Process owners are identified for each risk and metrics are developed for monitoring and

minimization control risk exposure through a harmonizing financial, credit and operational reporting systems.

The Board is satisfied that there are adequate systems and procedures in place to identify, assess, monitor and manage risks. The Company's Audit Committee is overseeing all the risks that the organization faces such as strategic, financial, market, IT, legal, regulatory, reputational and other risks and recommends suitable action. Risk minimization policy has already been approved by the board.

Directors' responsibility statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your directors make the following statement in terms of Section 134 of the Companies Act, 2013:

- (a) that in the preparation of the annual accounts for the year ended 31st March 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (b) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (c) that the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the directors had prepared the accounts for the financial year ended 31st March 2017 on a going concern basis; and
- (e) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Directors

Independent Directors (ID's)

In line with the requirements of the Act 2013, the board consists of two independent directors viz., Mr R Ramakrishnan and Mr S Santhanakrishnan. IDs hold office for a fixed term and are not liable to retire by rotation.

In accordance with Section 149(7) of the Act 2013, both the IDs have declared that they met the criteria of independence as provided under Section 149(6) of the Act 2013.

The detailed terms of appointment of IDs is disclosed on the Company's website in the following link www.sundaramautocomponents.com

Separate meeting of Independent Directors:

During the year under review, a separate meeting of IDs was held on 3rd March 2017. Both IDs were present and they were enlightened about the objectives and process involved in evaluating the performance of board, Non-IDs, Chairman and timeliness of flow of information from management. A set of questionnaires along with the list of activities undertaken by the Company was also provided to them for facilitating them to carry out their review /evaluation.

Non-Independent Directors (Non-IDs)

IDs were accomplished with the criteria and methodology and inputs for evaluation of Non-IDs namely, M/s. H Lakshmanan, Dr. Lakshmi Venu, C N Prasad and S G Murali.

IDs evaluated the performance of all Non-IDs individually, through a set of questionnaires, reviewing their attributes towards overall level of contribution to the Company's growth.

IDs were completely satisfied with the versatile performance of all Non-IDs.

Chairman

IDs reviewed the performance of Chairman of the Board after considering his performance and benchmarked the achievement of the Company with industry under his stewardship.

Board

IDs have evaluated board's composition, size, mix of skills and experience, its meeting sequence, effectiveness of discussion, decision making, follow up action, so as to improve governance and enhance personal effectiveness of directors.

The board upon evaluation concluded that it is well balanced in terms of diversity of experience and had an expert in each domain viz., Engineering, Finance, Marketing and Administration. The Company endeavours to have a diverse board representing a range of experience at policy-making levels in business and technology.

The IDs unanimously evaluated the prerequisites of the board viz., formulation of strategy, acquisition & allocation of overall resources, setting policies, directors' selection and cohesiveness on key issues and satisfied themselves that they were adequate.

Quality, Quantity and Timeliness of flow of Information between the Company, Management and the Board

All IDs have expressed their overall satisfaction with the support received from the management and the excellent work done by the management during the last year.

The IDs appreciated the management for their hard work and commitment to meet the corporate goals and also expressed that the relationship between the top management and board is smooth and seamless.

Directors liable to retire by rotation

In terms of Section 152 of the Act 2013, two-third of the total number of directors i.e., excluding IDs, are liable to retire by rotation and out of which, one-third is liable to retire by rotation at every annual general meeting.

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Mr C N Prasad, non-executive and non-independent director, who is liable to retire at the ensuing AGM and being eligible, offers his candidature for re-appointment.

The Nomination and remuneration committee of directors at their meeting held on 17th April 2017 recommended the re-appointment of Mr C N Prasad as director of the Company.

Policy on Directors appointment and remuneration of Directors, Key Managerial Personnel

In accordance with Section 178 of the Act 2013 the Nomination and Remuneration Committee has formulated a Nomination & Remuneration Policy (NRC Policy) to ensure that executive directors and other employees are sufficiently compensated for their performance. The Policy seeks to provide criteria for determining qualifications, positive attributes and independence of a director.

Nomination and Remuneration Policy

Directors:

NRC will recommend the remuneration for executive and non-executive directors. This will be then approved by the board and shareholders. The non-executive independent directors are appointed to the board of the Company in terms of regulatory requirements.

The board has approved the payment of remuneration by way of profit related commission to the non-executive Independent directors, for the financial year 2016-17, based on the recommendation of the Nomination and Remuneration Committee. The approval of the shareholders by way of an ordinary resolution was obtained at the twenty fourth annual general meeting held on 1st June 2016, in terms of Sections 197 and 198 and any other applicable provisions of the Act 2013.

Commission:

The Company benefits from the expertise, advise and inputs provided by the IDs. The IDs devote their valuable time in deliberating on strategic and critical issues in the course of the board / committee meetings of the Company and give their valuable advice, suggestions and guidance to the management of the Company, from time to time and hence IDs are being paid by way of commission.

As approved by the shareholders at the annual general meeting of the Company held on 1st June 2016, Non-executive and Independent Directors are being paid commission, subject to a maximum, as determined by the board, for each such director from the financial year 1st April 2015.

A commission of Rs.9 lakhs per annum is paid to each IDs for the financial year 2016-17, who serve as members of the audit committee as well. The amount of commission for every financial year will be decided by the board and will be within the limits as prescribed under the provisions of the Companies Act, 2013.

Key Managerial Personnel:

The remuneration of employees largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company's policy, subject to prescribed statutory ceiling.

The components of the total remuneration vary for different grades and are governed by the industry pattern, qualification & experience / merits and performance of each employee.

The Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package of the industry.

The annual variable pay of senior executives is linked to the performance of the Company in general and their individual performance for the relevant year measured against Company's objectives fixed in the beginning of the year.

Criteria for Board Membership

Directors:

The Company will generally consider (i) their relevant experience in Finance/ Law/ Management/ Sales/ Marketing/ Administration/ Research/ Corporate Governance/ Technical Operations or other disciplines related to company's business, (ii) having the highest personal and professional ethics, integrity and values and (iii) their willingness to devote sufficient time and energy in carrying out their duties and responsibilities.

Independent Directors:

Independent Director is a director who has no direct or indirect pecuniary relationship with the Company and or any of its officers. They should meet all criteria specified in Section 149(7) of the Act 2013 and rules made thereunder.

Key Managerial Personnel (KMP)

Change in Chief Financial Officer:

During the year under review, Mr S Rangarajan, continued as Chief Financial Officer of the Company till 8th November 2016 and Mr J Ashok Chakravarthi, AGM-Finance was appointed as the Chief Financial Officer, effective 9th November 2016.

M/s Rajesh Oommen, Chief Executive Officer, J Ashok Chakravarthi, Chief Financial Officer and P D Dev Kishan, Company Secretary are the Key Managerial Personnel of the Company as on the date of this Report.

Hence, the Company is fully compliant with the provisions of Section 203 of the Act 2013.

Corporate Governance

Board Meetings:

During the year under review, the board met five times on 29th April 2016, 22nd July 2016, 22nd

October 2016, 21st January 2017 and 3rd March 2017 and the gap between two meetings did not exceed one hundred and twenty days.

Audit Committee:

In terms of Section 177 of the Act 2013, the Audit Committee is required to consist of minimum of three members, with majority of independent directors.

All members of the Audit Committee possess requisite qualification and have sound knowledge of finance, accounts, etc.

The following directors are the members of Audit Committee of the Company as on the date of this Report:

1. Mr H Lakshmanan, Chairman
2. Mr R Ramakrishnan, independent director
3. Mr S Santhanakrishnan, independent director

Nomination and Remuneration Committee:

In terms of Section 178 of the Act 2013, the Nomination and Remuneration Committee is required to consist of minimum of three members, of which not less than one-half shall be independent directors.

The following are the members of Nomination and Remuneration Committee of the Company as on the date of this Report:

1. Mr R Ramakrishnan, Chairman, independent director
2. Mr H Lakshmanan, Non-Executive Non Independent director
3. Mr S Santhanakrishnan, independent director

Remuneration criteria to Directors:

The non - executive / independent director(s) receive remuneration by way of fees for attending meetings of board or any committee in which director(s) is member.

In addition to the sitting fees, the non - executive independent director(s) shall be entitled to commission from the Company subject to the monetary limit approved by shareholders of the Company and aggregate commission amount would not exceed the limit as prescribed under the provisions of the Act 2013.

Corporate Social Responsibility Committee (CSR):

The following directors are the members of CSR committee of the Company as on the date of this report:

1. Mr H Lakshmanan, non-executive non-independent director.
2. Mr R Ramakrishnan, independent director.
3. Dr. Lakshmi Venu, non-executive non-independent director.

Based on the recommendation of the CSR Committee, the board has approved the projects / programs to be carried out as CSR activities by Srinivasan Services Trust (SST) and Sri Sathya Sai Loka Seva Trust by undertaking these programmes / projects, in compliance with the CSR policy of the Company and contributed Rs. 70 lakhs constituting more than 2% of average net profits, for the immediate past three financial years, towards CSR spending for the current financial year 2016-2017.

SST, over 21 years of service, has played a pivotal role in changing lives of people in many villages in rural India by creating self-reliant communities that are models of sustainable development.

Sri Sathya Sai Loka Seva Trust is providing services to the society for more than five decades. It is engaged in providing free education, free health-care to deprived classes of society by conducting regular medical camps and establishing hospitals and nurturing children with value-based education coupled with high academic standards and shaping them into good human beings and citizens of the Motherland.

The Company is eligible to spend on their ongoing projects / programs, falling within the CSR activities specified under the Act 2013, as mandated by the MCA for carrying out its CSR activities.

As required under Section 135 of the Act 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the annual report on CSR containing the particulars of the projects / programmes approved and recommended by CSR Committee and approved by the board are given by way of Annexure V attached to this Report.

Auditors

Statutory Auditors:

As per the provisions of Section 139 of the Act 2013, the transitional period of office of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, as Statutory Auditors of the Company will conclude from the close of the forthcoming Annual General Meeting of the Company.

The Board of Directors place on record its appreciation and gratitude for the services rendered by M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, as the Statutory Auditors of the Company for over two decades.

The Board of Directors of the Company has recommended the appointment of M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai, (ICAI Firm Registration Number 109208W) as the Statutory Auditors of the Company, subject to the approval of the shareholders.

They will hold office as statutory auditors for a period of five years from the conclusion of the 25th Annual General Meeting till the conclusion of 30th Annual General Meeting of the Company, subject

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to ratification of the appointment by Members at every Annual General Meeting held during their tenure of office as statutory auditors.

Secretarial Auditor:

As required under Section 204 of the Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company is required to appoint a Secretarial Auditor for auditing the secretarial and related records of the Company and a report received from them is required to be enclosed along with the annual report of the Company.

Accordingly, M/s. S. Krishnamurthy & Co., Practising Company Secretaries, secretarial auditor of the Company submitted their report for the year 2016-17.

The board has re-appointed them as Secretarial Auditor for carrying out the secretarial audit for the financial year 2017-18.

Both the Statutory Auditors Report and Secretarial Audit Report are free from any qualification, reservation or adverse remark or disclaimer, and hence do not warrant any explanation or comments by the board.

Statutory Statements

Deposits

The Company has not accepted any deposit from the public within the meaning of Section 76 of the Act 2013, for the year ended 31st March 2017.

Information on conservation of energy, technology absorption, foreign exchange etc:

The information is given in Annexure I to this report, in terms of the requirements of Section 134(3) (m) of the Act 2013 read with the Companies (Accounts) Rules 2014.

Material changes and commitments:

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and to the date of the report.

Significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company:

There are no significant and material orders passed by the regulators or courts or tribunals, which would impact the going concern status of the Company and its future operations.

Annual Return:

Extract of Annual Return in the prescribed form is given as Annexure II to this report, in terms of the requirements of Section 134(3)(a) of the Act, 2013 read with the Companies (Accounts) Rules, 2014.

Employee's remuneration:

Details of employees receiving the remuneration as prescribed under Section 197 of the Act 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel)

Rules, 2014 are given in Annexure III. In terms of first proviso to Section 136(1) of the Act, 2013, the Annual Report, excluding the aforesaid annexure is being sent to the shareholders of the Company. The annexure is available for inspection at the Registered Office of the Company during business hours and any shareholder interested in obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

Details of material related party transactions:

Details of material related parties under Section 188 of the Act 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 are given in Annexure VI to this report in the prescribed form.

Details of loans / guarantees / investments made:

As regards furnishing the details of loans and guarantees under Section 186 of the Act 2013 for the financial year 2016-17, the Company has not extended any guarantee or loans to other companies during the year under review.

However, please refer note no. 6 to Notes on accounts for the financial year 2016-17, for details of investments made by the Company.

Reporting of fraud

The Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act 2013.

Other Laws

During the year under review, the Company has not received any complaints of sexual harassment from any of the women employees of the Company in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgement

The directors gratefully acknowledge the continued support and co-operation received from the holding company, namely TVS Motor Company Limited, Chennai.

The directors thank the suppliers, customers and bankers for their continued support and assistance. The directors also wish to place on record the appreciation of the excellent work done by all the employees of the Company.

For and on behalf of the Board

Place : Chennai
Date : 17th April 2017

H Lakshmanan
Chairman

Annexure - I

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO (Pursuant to Section 134(3)(m) of the Companies Act, 2013)

A. CONSERVATION OF ENERGY

1.1 Measures taken in the year 2016-17

- Installed roof top solar panels at the plant located in Hosur, as a green power source for the plant with the capacity of 0.42MW;
- Installed Servo hydraulic pumps & motors and variable frequency drive equipment for identified 9 high energy consuming injection moulding machines; and
- 13 High energy efficient all electric injection moulding machines were purchased during the year as part of expansion.

The above measures resulted in an annual savings of Rs.0.75 crore.

1.2 Proposed measures for the year 2017-18:

- Installation of roof top solar panels at plants located in Chennai and Mysore for 0.88 MW capacity;
- Elevated type LPG fired oven with canopy will be installed in the proposed paint shop to minimize heat loss; and
- Reduction of energy consumption by relocation, commonisation of cooling towers and chillers respectively.

The above measures are expected to result in an annual saving of approximately Rs.0.65 crore.

2. Steps taken for utilizing alternate sources of energy during the year 2017-18

During the year 2016-17, the Company has utilized the power generated through wind energy to an extent of 12042 MW. The Company is planning to continue the utilization of the wind energy for

the year 2017-18 to an extent of 12,500 MW. The Company as an initiative for the year 2017-18 is taking up the project of increasing green energy from 0.42MW to 1.20MW as a power source for factory.

3. Capital investment- Energy conservation Equipments

The Company during the year 2016-17 invested in "Energy Efficient All Electric Injection Moulding Machines and Auxiliaries". The total investment in this project or expansion is Rs.12 Cr. These new machines are expected to reduce the power consumption upto 35% from the existing level of power consumed by similar machines. The Company will continue to invest in similar energy machines while undertaking any future expansion projects.

B. TECHNOLOGY ABSORPTION

Not Applicable

C. FOREIGN EXCHANGE ACTUAL EARNINGS AND OUTGO.

Total foreign exchange earnings and out go :	(Rs. In Crore)
(a) Earnings	-
(b) Outgo	51.36

For and on behalf of the Board

Place : Chennai
Date : 17th April 2017

H Lakshmanan
Chairman

SUNDARAM AUTO COMPONENTS LIMITED

Annexure - II

Form No. MGT-9 EXTRACT OF ANNUAL RETURN

for the financial year ended 31st March 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN : U29249TN1992PLC051417
 ii) Registration Date : 10.06.1992
 iii) Name of the Company : Sundaram Auto Components Limited
 iv) Category / Sub-Category of the Company : Public Limited Company
 v) Address of the Registered office and contact details : "Jayalakshmi Estates",
 No.29, Haddows Road,
 Chennai - 600 006
 Tele : (044) 2827 22 33
 Fax : (044) 2825 71 21
 vi) Whether listed company Yes / No : No
 vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : Not Applicable

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company:-

Sl. No.	Name and Description of main products	NIC Code of the product	% to total turnover of the Company
1.	Plastic Moulded components	2520	18.51
2.	Two-Wheelers	3410	81.49

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section – Companies Act, 2013
1.	TVS Motor Company Limited Address: No:29, Haddows Road, Chennai – 600006.	L35921 TN1992PLC022845	Holding Company	100%	2(46)
2.	Sundaram Holding USA Inc. Address: 2711, Centerville Road, #400 Wilmington, New Castle – 19808, State of Delaware, USA	NA	Subsidiary	68%	2(87)
3.	Green Hills Land Holding LLC, Address: 1703, Laurel Street, Columbia, South Carolina – 29201, USA	NA	Subsidiary	100 % held by S.No.2	2(87)
4.	Component Equipment Leasing LLC, Address: 1703, Laurel Street, Columbia, South Carolina – 29201, USA	NA	Subsidiary		
5.	Workspace Project LLC, Address: 1703, Laurel Street, Columbia, South Carolina – 29201, USA	NA	Subsidiary		
6.	Premier Land Holding LLC, Address: 1703, Laurel Street, Columbia, South Carolina – 29201, USA	NA	Subsidiary		
7.	Green Infra Wind Energy Theni Limited Address: 2nd Floor, Tower No. 2, NBCC Plaza Sector-V, Pushp Vihar, Saket, New Delhi – 110017.	U40109DL 2011PLC275063	Associate Company	21.58%	2(6)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

- (i) Category-wise Share Holding : Not Applicable
 (ii) Shareholding of Promoters :

S No	Name of the Shareholders (M/s.)	Shareholding at the beginning of the year		Share holding at the end of the year		% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company	
1.	TVS Motor Company Limited (Holding Company) and its six nominees	1,15,50,000	100%	1,45,50,000	100%	-
TOTAL		1,15,50,000	100%	1,45,50,000	100%	-

(iii) Change in Promoters' Shareholding:

TVS Motor Company Limited (Holding Company) and its six nominees

Particulars	Shareholding as at 1 st April 2016		Shareholding as at 31 st March 2017	
	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
At the beginning of the year	1,15,50,000	100.00	-	-
Acquisition of shares on rights basis:				
29.06.2016	5,00,000	4.33	1,20,50,000	100.00
21.01.2017	25,00,000	21.65	1,45,50,000	100.00
At the End of the year	-	-	1,45,50,000	100.00

- (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): **N.A.**

- (v) Shareholding of Directors and Key Managerial Personnel: **Nil**

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Rs.in crores)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	23.54	0.87	24.41
ii) Interest due but not paid	0.10	-	0.10
iii) Interest accrued but not due	-	-	-
Total (i+ii+iii)	23.64	0.87	24.51
Change in Indebtedness during the financial year			
• Addition	12.98	0.56	13.54
• Reduction	(8.98)	-	(8.98)
Net Change	4.00	0.56	4.56
Indebtedness at the end of the financial year			
i) Principal Amount	27.57	1.43	29.00
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	0.07	-	0.07
Total (i+ii+iii)	27.64	1.43	29.07

SUNDARAM AUTO COMPONENTS LIMITED

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director and / or Manager: Nil

B. Remuneration to other directors:

Sl.No	Particulars of Remuneration	Name of Directors				Total Amount
		RK		SSK		
1.	Independent Directors					
	Fee for attending board / committee meetings		45,000		60,000	1,05,000
	Commission		9,00,000		9,00,000	18,00,000
	Others		-		-	-
	Total (A)		9,45,000		9,60,000	19,05,000
2.	Other Non –Executive Directors					
	Fee for attending board / committee meetings	60,000	15,000	25,000	30,000	1,30,000
	Commission	-	-	-	-	-
	Others	-	-	-	-	-
	Total (B)	60,000	15,000	25,000	30,000	1,30,000
	Total (A) + (B)					20,35,000
	Overall Ceiling as per the Act					75,80,960

RK - Mr R Ramakrishnan; SSK - Mr S Santhanakrishnan; HL - Mr H Lakshmanan; CNP - Mr C N Prasad; SGM - Mr S G Murali; Dr LV - Dr Lakshmi Venu

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(Rs. In lakhs)

S.No	Particulars of Remuneration	Key Managerial Personnel				
		CEO	CFO		CS	Total
			SR 01.04.2016 to 09.11.2016	JA 21.01.2017 to 31.03.2017		
1.	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	79.82	-	4.62	-	84.44
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	-	-	-	-
3.	Sweat Equity	-	-	-	-	-
4.	Commission	-	-	-	-	-
	- as % of profit					
	- others					
5.	Others	-	-	-	-	-
	Total	79.82	-	4.62	-	84.44

SR – Mr S Rangarajan; JA – Mr J Ashokchakravarthi

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: Nil

For and on behalf of the Board

Place : Chennai
Date : 17th April 2017

H Lakshmanan
Chairman

SUNDARAM AUTO COMPONENTS LIMITED

Annexure - IV

FORM No. AOC - 1

(Pursuant to first proviso to sub-section (3) of section 129 of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014)

Part "A": Subsidiaries

Statement containing salient features of the financial statement of subsidiaries :-

S.No	Particulars	
	Name of the subsidiary	Sundaram Holding USA Inc.,
1.	The date since when subsidiary was acquired	9 th September 2015
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	1 st April 2016 to 31 st March 2017
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	USD as at 31 st March 2017 \$1 = Rs.64.81
4.	Share capital	5,294,432
5.	Reserves & Surplus	(939,237)
6.	Total assets	4,097,195
7.	Total Liabilities	4,097,195
8.	Investments	-
9.	Turnover	-
10.	Profit before taxation	(939,187)
11.	Provision for taxation	-
12.	Profit after taxation	(939,237)
13.	Proposed Dividend	-
14.	% of shareholding	68%

Part "B": Associate:-

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies:-

S.No	Name of Associate	Green Infra Wind Energy Theni Limited
1.	Latest audited Balance Sheet Date	31 st March 2017
2.	Date on which the Associate acquired	11.01.2011
3.	Shares of Associate held by the Company on the year end:- (i) No. of shares	30,00,000
	(ii) Amount of Investment in Associate / Joint Venture	Rs.3,00,00,000/-
	(iii) Extend of Holding %	21.58%
4.	Description of how there is significant influence	Voting Power
5.	Reason why the Associate / Joint Venture is not consolidated	The Company, being an intermediate WOS of TVS Motor Company Limited (TVSM), has been exempted from preparation of consolidated financial statements, as per the notification dated 14 th October 2014 issued by the MCA in this regard.
6.	Networth attributable to Shareholding as per latest audited Balance Sheet	Rs.4,43,71,554/-
7.	Profit / Loss for the year:- i. Considered in Consolidation	Not applicable
	ii. Not Considered in Consolidation	Not applicable

H LAKSHMANAN
Chairman

C N PRASAD
Director

As per our report annexed
For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Registration No: 004207S
M BALASUBRAMANIAM
Partner
Membership No. F 7945

J ASHOK CHAKRAVARTHI
Chief Financial Officer

RAJESH OOMMEN
Chief Executive Officer

P D DEV KISHAN
Company Secretary

Place : Chennai
Date : 17-04-2017

SUNDARAM AUTO COMPONENTS LIMITED

Annexure - V

Particulars of Corporate Social Responsibility activities carried out by the Company in terms of Section 135 of the Companies Act, 2013

- A brief outline of the company's CSR policy:
This policy encompasses the Company's philosophy for giving back to society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programs for the transformation and sustainable development of the rural communities at large.
- Overview of projects or programmes undertaken:
Focus areas relate to economic development, quality education, empowerment of women, health care, conservation of environment and the creation, maintenance of infrastructure, art, culture and protection of places of public and historical importance.
- Web-link to the CSR policy and projects or programmes -
www.sundaramautocomponents.com
- Composition of the CSR Committee.

Sl. No.	Name of the Directors (M/s.)	Designation	Status
1.	Mr H Lakshmanan	Non-Independent director	Chairman
2.	Dr. Lakshmi Venu	Non-Independent director	Member
3.	Mr R Ramakrishnan	Independent director	Member

- Average net profit of the Company for last three financial years Rs. 30.99 Cr
- Prescribed CSR Expenditure (2% of the amount as in item 5 above) Rs. 0.62 Cr
- Details of CSR spent during the financial year
 - Total amount to be spent for the financial year Rs. 0.70 Cr
 - Amount unspent, if any Not Applicable
 - Manner in which the amount spent during the financial year is detailed below.

1. Name of the Implementing Agency	Srinivasan Services Trust Jayalakshmi Estates, No. 29, Haddows Road Chennai - 600 006 Tamil Nadu Phone No : 044-28332115 Mail ID : aj@scl.co.in	Sri Sathya Sai Loka Seva Trust, Sathya Sai Grama, P.O. Muddenahalli - 562101 Chikkaballapur district, Karnataka, India. Phone No: +91 8156-62424
2. CSR Project or activity identified as mentioned in Schedule VII to the Companies Act, 2013	<ul style="list-style-type: none"> Eradicating hunger, poverty, promoting preventive healthcare and sanitation and making available safe drinking water; Promotion of Education, including special education and employment, enhancing vocation skills especially among children, women and livelihood enhancement projects; Promoting gender equality, empowering women and measures for reducing inequalities faced by socially and economically backward groups; ensuring environment sustainability, ecological balance, animal welfare, agroforestry, conservation of natural resources and maintain quality of soil, air and water; and rural development projects 	Promoting free Education is one of the objects of the Trust
3. Sector in which the Project is covered	Economic Development, Education, Environment, Health and Infrastructure	Education
4. Areas in which Projects / Programmes undertaken		
Local Area / Others	<ul style="list-style-type: none"> Venkatagiri Mandal, Andhra Pradesh Anbil village, Trichy district, Tamil Nadu 	Muddenahalli
State & district	- Nellore District, Andhra Pradesh - Trichy District, Tamil Nadu	Chikkaballapur, Karnataka
Amount outlay (budget) project or programme-wise	Rs.925.60 Lakhs	Rs.1100 Lakhs
5. Amount spent on the projects or programmes	Rs.902.22 Lakhs (including contribution of Sundaram Auto Components Limited of Rs.55 Lakhs)	Rs.15 Lakhs

6. Sub-heads		
Direct expenses on projects / programmes	Rs.902.22 Lakhs	Rs.250 Lakhs (including contribution of the Company of Rs.15 lakhs)
Overheads	Nil	Nil
7. Cumulative expenditure upto the reporting period	Rs.902.22 Lakhs (including contribution of Sundaram Auto Components Limited of Rs.55 Lakhs)	Rs.250 Lakhs (including contribution of the Company of Rs.15 lakhs)

- In case the company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

Not applicable

- CSR Committee states the CSR activities being undertaken / proposed will be implemented and monitoring as per CSR Policy and is in compliance with CSR objectives and Policy of the Company.

To discharge the duties cast under provisions of the Act, members of the CSR Committee visit places where CSR activities were undertaken.

For and on behalf of the Board

Place : Chennai
Date : 17th April 2017

H Lakshmanan
Chairman and Chairman of CSR Committee

Annexure - VI

FORM No. AOC - 2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

- Details of contracts or arrangements or transactions not at arm's length basis: NIL
- Details of material contract, arrangement or transaction at arm's length basis:
 - Name of the related party TVS Motor Company Limited
 - Nature of relationship Holding Company
 - Duration of the contracts / arrangements / transactions 2016-17
 - Date (s) of approval by the Board, if any: 29th April 2016 and 21st January 2017

Nature of contracts/ arrangements/ transactions	Goods / Services	Salient terms of the contracts or arrangements or transactions	Amount of contract or arrangement (Rs. In Cr)
Purchase	Two wheelers and Three wheelers	Based on dealer price	2,328.44
Sale	Plastic Components and Dies & Moulds	Mark-up on cost of raw materials and conversion cost	296.68

For and on behalf of the Board

Place : Chennai
Date : 17th April 2017

H Lakshmanan
Chairman

SUNDARAM AUTO COMPONENTS LIMITED

Form No. MR-3

Secretarial Audit Report for the financial year ended 31st March 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,
Sundaram Auto Components Limited, [CIN:U29249TN1992PLC051417]
Jayalakshmi Estates, No. 29(8), Haddows Road, Chennai-600006

We have conducted a Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by SUNDARAM AUTO COMPONENTS LIMITED (hereinafter called "the Company") during the financial year from 1st April 2016 to 31st March 2017 ("the year"/ "audit period"/ "period under review").

We conducted the Secretarial Audit in a manner that provided us a reasonable basis for evaluating the Company's corporate conducts and statutory compliances and expressing our opinion thereon. We are issuing this report based on:

- (i) Our verification of the books, papers, minute books and other records maintained by the Company and furnished to us, forms/ returns filed and compliance related action taken by the Company during the year as well as after 31st March 2017 but before the issue of this report;
- (ii) Compliance certificates confirming compliance with all laws applicable to the Company given by the key managerial personnel of the Company and taken on record by the Board of Directors; and
- (iii) The representations made and information provided by the Company, its officers, agents and authorised representatives during our conduct of the Secretarial Audit.

In our opinion, during the audit period covering the financial year ended on 31st March 2017, the Company has complied with the statutory provisions listed hereunder and also has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter. The members are requested to read this report along with our letter of even date annexed to this report as Annexure – A.

1. We report as regards compliance with specific statutory provisions that:

1.1. We have examined the books, papers, minute books and other records maintained by the Company and made available for our verification, the forms, returns, reports, disclosures and information filed/ disseminated during the year according to the applicable provisions/ clauses of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder.
- (ii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment (FEMA).
- (iii) Secretarial Standards (SS-1) on "Meetings of the Board of Directors" and Secretarial Standards (SS-2) on "General Meetings" issued by The Institute of Company Secretaries of India (Secretarial Standards).

1.2. During the period under review, and also considering the compliance related action taken by the Company after 31st March 2017 but before the issue of this report, the Company has, to the best of our knowledge and belief and based on the records, information, explanations and representations furnished to us:

- (i) Complied with the applicable provisions/ clauses of the Act and Rules mentioned under paragraph 1.1 (i) above;
- (ii) Generally complied with the applicable rules/ regulations under FEMA mentioned under paragraph 1.1 (ii) above; and
- (iii) Generally complied with the applicable Secretarial Standards mentioned under paragraph 1.1 (iii) above.

1.3. We are informed that, during/ in respect of the year:

- (i) The Company, in view of being an unlisted company and also in view of non-arising of certain events, was not required to comply with the following laws/ guidelines/ regulations and consequently was not required to maintain any books, papers, minute books or other records or file any forms/ returns under:

- (a) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder with respect to Foreign Direct Investment and External Commercial Borrowings;
 - (b) Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"); and
 - (c) Listing agreements with stock exchanges.
- (ii) There was no other law that was specifically applicable to the Company, considering the nature of its business. Hence the requirement to report on compliance with specific laws under paragraphs 1.1 and 1.2 above did not arise.

2. We further report as regards Board processes that:

2.1 The Board of Directors of the Company is duly constituted with a proper balance of Non-Executive Directors and Independent Directors. The Company does not have any Executive Director but has a Chief Executive Officer in terms of section 203(1)(i) of the Act. The Board also has a woman director. Re-appointment of the retiring director at the annual general meeting held on 1st June 2016 was carried out in compliance with the provisions of the Act. There was no change in composition of the Board of Directors during the period under review.

2.2 Adequate notice was given to all directors to schedule the Board Meetings. Notice of Board meetings were sent at least seven days in advance. Agenda and detailed notes on agenda were sent at least seven days before the Board meetings with the exception of the following items, which were either circulated separately or at the meetings and consent of the Board for circulating them separately or at the meeting was duly obtained as required under the Secretarial Standards:

- (i) Supplementary agenda notes and annexures in respect of unpublished price sensitive information such as audited accounts/ results, unaudited financial results and connected papers; and
- (ii) Additional subjects/ information and supplementary notes.

2.3 A system exists for directors to seek and obtain further information and clarifications on the agenda items before the meetings and for their meaningful participation at the meetings.

2.4 We are informed that, at the Board meetings held during the year:

- (i) Majority decisions were carried through; and
- (ii) No dissenting views were expressed by any Board member on any of the subject matters discussed, that were required to be captured and recorded as part of the minutes.

3. We further report as regards the compliance mechanism in place that:

3.1 There are reasonably adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

4. We further report as regards specific events and actions that:

4.1 During the audit period, the following specific events and actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations and standards took place:

- (i) Rs.24 crores was raised from its holding company TVS Motor Company Limited by way of their subscription to the Company's rights issues aggregating to 30,00,000 equity shares of Rs.10/- each at a premium of Rs.70/- per share; and
- (ii) Further investment of USD 3,600,000 was made in the Company's foreign subsidiary Sundaram Holding USA, Inc. by way of subscription to 36,00,000 common stock if USD 1 each at par.

For S. Krishnamurthy & Co
Company Secretaries

K. Sriram,
Partner

Date : 17th April 2017
Place : Chennai

Membership No.F6312
Certificate of Practice No: 2215

Annexure - A to Secretarial Audit Report of even date

To,

The Members,
Sundaram Auto Components Limited, [CIN:U29249TN1992PLC051417]
Jayalakshmi Estates, No. 29(8), Haddows Road, Chennai-600006.

Our Secretarial Audit Report (Form MR-3) of even date for the financial year ended 31st March 2017 is to be read along with this letter

1. The Company's management is responsible for maintenance of secretarial records and compliance with the provisions of corporate and other applicable laws, rules, regulations and standards. Our responsibility is to express an opinion on the secretarial records produced for our audit.
2. We have followed such audit practices and processes as we considered appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records.
3. While forming an opinion on compliance and issuing this report, we have also considered compliance related action taken by the Company after 31st March 2017 but before the issue of this report.
4. We have considered compliance related actions taken by the Company based on independent legal/ professional opinion obtained as being in compliance with law.
5. We have verified the secretarial records furnished to us on a test basis to see whether the correct facts are reflected therein. We also examined the compliance procedures followed by

the Company on a test basis. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

6. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
7. We have obtained the Management's representation about compliance of laws, rules and regulations and happening of events, wherever required.
8. Our Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For S. Krishnamurthy & Co
Company Secretaries

K. Sriram,
Partner

Date : 17th April 2017
Place : Chennai

Membership No.F6312
Certificate of Practice No: 2215

SUNDARAM AUTO COMPONENTS LIMITED

Independent Auditors' Report to the members of Sundaram Auto Components Limited, Chennai for the year ended 31st March 2017

To the Members of
Sundaram Auto Components Limited
Report on the Financial Statements

We have audited the accompanying Ind AS financial statements of Sundaram Auto Components Limited, Chennai - 600006 ("the company"), which comprise the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including Other Comprehensive Income), Changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 4 of Companies (Indian Accounting Standards) Rules, 2015.

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 the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS 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 of the Ind AS financial statements 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Company's Directors, as well as evaluating the overall presentation of the Ind AS 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations furnished to us, the aforesaid Ind AS 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 including the Ind AS;

- a) of the state of affairs (financial position) of the Company as at March 31, 2017;
- b) of the Profit (financial performance including Other Comprehensive Income) for the year ended on that date;
- c) of the Changes in Equity for the year ended on that date; and
- d) of the cash flows for the year ended on that date.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-"A", a statement on the matters specified in the paragraphs 3 and 4 of the 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 purposes of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015.
 - e. On the basis of written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure - "B".
 - 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 furnished to us :
 - i. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements – Refer note no.36 (i) to the Ind AS 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 Investors Education and Protection fund by the Company.
 - iv. The Company has provided requisite disclosures in its Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 08, 2016 to December 30, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 41 to the Ind AS financial statements.

For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Regn No. 004207S

Place : Chennai
Date : 17th April 2017

M BALASUBRAMANIAM
Partner
Membership No.F7945

SUNDARAM AUTO COMPONENTS LIMITED

Annexure - "A" to Independent Auditors' Report to the members of Sundaram Auto Components Limited, Chennai for the year ended 31st March 2017

Annexure "A" referred to in our report under "Report on Other Legal and Regulatory requirements Para 1" of even date on the accounts for the year ended 31st March 2017.

1. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) Fixed assets are verified physically by the management in accordance with a regular programme at reasonable intervals. In our opinion the interval is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were reported on such verification.
- (c) We have verified all title deeds of immovable properties held in the name of company except in case of those hypothecated with bank as security against loan. In respect of hypothecated immovable properties, we have verified confirmation certificate received from the Company's bank.

2. The inventory has been physically verified at reasonable intervals during the year by the management. The discrepancies between the physical stocks and the books were not material and have been properly dealt with in the books of account.
3. During the year, the company has not granted any loan to a company, firm, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
4. During the year, the company has not granted any loan nor has furnished any guarantee nor provided any security. Hence reporting on whether there is compliance with provisions of section 185 of the Companies Act, 2013 does not arise.

The company has made an investment in the subsidiary company during the year to the tune of Rs. 24.24 crore. This is in compliance with provisions of section 186 of the Companies Act, 2013.

5. The company has not accepted any deposit within the meaning of sections 73 to 76 of the Companies Act, 2013, during the year.
6. According to the information and explanations furnished to us, the requirement for maintenance of cost records pursuant to the Companies (Cost Records and Audit) Rules, 2014 specified by the Central Government of India under Section 148 of the Companies Act, 2013 is not applicable to the Company for the year under audit.
7. (a) According to the records provided to us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other statutory dues to the appropriate authorities. However, marginal delays were noticed in remittance of Income Tax deduction at source and Service Tax into Government.
- (b) According to the information and explanations furnished to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax and Cess were in arrears, as at 31st March 2017 for a period of more than six months from the date they became payable.
- (c) According to information and explanations furnished to us, the following are the details of the disputed dues that were not deposited with the concerned authorities:

Name of the statute	Nature of dues	Amount (Rs. In Crore)	Forum where the dispute is pending
Central Excise Act, 1944	Cenvat / Excise Duties	0.02	High Court of Judicature at Madras
	Excise Duty	0.36	Assistant Commissioner of Central Excise
Finance Act, 1994	Service Tax	0.18	Central Excise and Service Tax Appellate Tribunal
		0.08	Assistant Commissioner, Hosur
Income Tax Act, 1961	Income Tax	0.60	Commissioner of Income Tax (Appeals), Chennai
Tamil Nadu Value Added Tax Act, 2006	CST	0.08	Joint Commissioner of Commercial Tax, Salem

8. Based on our verification and according to the information and explanations furnished by the management, the company has not defaulted in repayment of dues to its bank. The Company has not borrowed from any financial institution or Government nor has issued any debenture.
9. (a) The company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence reporting on utilization of such money does not arise.
- (b) The company has not availed any fresh term loan during the year. The loans availed in earlier years were applied for the purpose for which they were availed.
10. Based on the audit procedures adopted and information and explanations furnished to us by the management, no fraud on or by the company has been noticed or reported during the course of our audit.
11. For two independent non-executive directors a sum of Rs. 0.09 Crore each has been provided for as commission with the approval by the shareholders through ordinary resolution in the annual general meeting held on June 01, 2016 to comply with section 197 of the Companies Act, 2013.
12. The Company is not a Nidhi company and as such this clause of the Order is not applicable.
13. (a) In our opinion and according to the information and explanations furnished to us, all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013.
- (b) The details of transactions during the year have been disclosed in the Financial Statements as required by the applicable accounting standards. Refer note no. 31(b) to the Ind AS financial statements.
14. During the year, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures under Section 42 of the Companies Act, 2013.
15. In our opinion and according to the information and explanations furnished to us, the company has not entered into any non-cash transactions with directors or persons connected with them.
16. The company is not required to register under section 45-IA of the Reserve Bank of India Act, 1934.

For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Regn No. 004207S

M BALASUBRAMANIAM
Partner
Membership No.F7945

Place : Chennai
Date : 17th April 2017

Annexure - "B" to Independent Auditors' Report to the members of Sundaram Auto Components Limited, Chennai for the year ended 31st March 2017

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 Sundaram Auto Components Limited, Chennai ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS 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 Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (hereinafter "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.

Auditor's 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, 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.

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:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. 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
- iii. 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 March 31, 2017, based on:

- i. existing policies and procedures adopted by the Company for ensuring orderly and efficient conduct of business.
- ii. continuous adherence to Company's policies.
- iii. existing procedures in relation to safeguarding of Company's fixed assets, investments, inventories, receivables, loans and advances made and cash and bank balances.
- iv. existing system to prevent and detect fraud and errors.
- v. accuracy and completeness of Company's accounting records; and
- vi. existing capacity to prepare timely and reliable financial information.

For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Regn No. 004207S

Place : Chennai
Date : 17th April 2017

M BALASUBRAMANIAM
Partner
Membership No.F7945

SUNDARAM AUTO COMPONENTS LIMITED

Balance Sheet as at 31st March 2017

Notes	Rupees in crores			
	As at 31.03.2017	As at 31.03.2016	As at 01.04.2015	
Assets				
Non-current assets				
Property, plant and equipment	2	145.18	112.43	89.01
Capital work in progress	3	1.53	16.25	3.55
Investment property	4	32.56	28.12	24.83
Goodwill	5	2.20	2.20	-
Other intangible assets	5	0.30	0.35	0.12
Financial assets				
i. Investments	6	27.61	3.29	3.27
ii. Others	7	0.10	0.12	0.04
Other non-current assets	8	17.13	17.45	19.59
Total non-current assets		226.61	180.21	140.41
Current assets				
Inventories	9	167.64	149.63	140.85
Financial assets				
i. Trade receivables	10	101.22	60.97	79.18
ii. Cash and cash equivalents	11	0.93	0.51	2.78
iii. Bank balances other than (ii) above		-	-	-
iv. Other financial assets		-	-	-
Current tax assets (Net)	12	0.55	0.59	0.29
Other current assets	13	17.08	22.66	20.39
Total current assets		287.42	234.36	243.49
Total Assets		514.03	414.57	383.90
Equity and liabilities				
Equity				
Equity share capital	14	14.55	11.55	11.55
Other equity	15	153.73	118.18	102.49
Total equity		168.28	129.73	114.04
Liabilities				
Non-current liabilities				
Financial liabilities				
Borrowings	16	-	-	8.96
Provision - Employee benefit obligations	17	2.73	1.50	0.96
Deferred tax liabilities (Net)	18	11.17	8.91	7.10
Total non-current liabilities		13.90	10.41	17.02
Current liabilities				
Financial liabilities				
i. Borrowings	19	29.07	15.43	2.52
ii. Trade payables	20	214.08	178.28	163.21
iii. Other financial liabilities	21	39.03	44.20	39.49
Other current liabilities	22	49.63	36.49	47.55
Provision	17	0.04	0.03	0.07
Total current liabilities		331.85	274.43	252.84
Total liabilities		345.75	284.84	269.86
Total equity and liabilities		514.03	414.57	383.90
Significant Accounting Policies	1			

Statement of Profit and Loss for the year ended 31st March 2017

Notes	Rupees in crores		
	31.03.2017	31.03.2016	
Income			
Revenue from operations	23	2,913.87	2,795.35
Other income	24	2.08	2.82
Total income		2,915.95	2,798.17
Expenses			
Cost of material consumed	25	318.25	322.51
Purchase of stock in trade	25	2,328.44	2,227.82
Changes in inventories of finished goods, Stock-in-Trade and work-in-process	25	0.79	(27.79)
Excise duty		56.52	60.61
Employee benefit expenses	26	56.79	50.99
Finance costs	27	3.40	3.75
Depreciation and amortisation expense	2 & 5	15.51	13.07
Other expenses	28	111.16	107.28
Total expenses		2,890.86	2,758.24
Profit before exceptional items and tax		25.09	39.93
Exceptional items	29	9.84	3.23
Profit before tax		34.93	43.16
Income tax expense			
Current tax	30	7.31	11.93
Deferred tax	30	2.54	1.85
Profit for the period		25.08	29.38
Other comprehensive income			
Items that may not be reclassified to profit or loss			
"Remeasurement of post employment benefit obligations arising on account of actuarial losses"		(0.93)	(0.51)
Change in fair value of FVOCI equity instruments		-	-
Income tax relating to these items		0.28	0.04
Items that will be reclassified to profit or loss			
Change in fair value of FVOCI debt instruments		-	-
Income tax relating to these items		-	-
Other comprehensive income for the period, net of tax		(0.65)	(0.47)
Total comprehensive income for the period		24.43	28.91
Earnings per equity share			
Basic & Diluted earnings per share	37	20.21	25.43
Significant Accounting Policies	1		

As per our report annexed
For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Registration No: 004207S

H LAKSHMANAN
Chairman

C N PRASAD
Director

M BALASUBRAMANIAM
Partner
Membership No. F 7945

Place : Chennai
Date : 17-04-2017

J ASHOK CHAKRAVARTHI
Chief Financial Officer

RAJESH OOMMEN
Chief Executive Officer

P.D. DEV KISHAN
Company Secretary

As per our report annexed
For SUNDARAM & SRINIVASAN
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Membership No. F 7945

Place : Chennai
Date : 17-04-2017

J ASHOK CHAKRAVARTHI
Chief Financial Officer

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Chief Executive Officer

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Company Secretary

SUNDARAM AUTO COMPONENTS LIMITED

Cash Flow Statement

	Rupees in crores			Rupees in crores	
	Year ended 31.03.2017	Year ended 31.03.2016		Year ended 31.03.2017	Year ended 31.03.2016
Cash flow from operating activities					
Profit before income tax	34.93	43.16	Payments for purchase of investment	(24.32)	(0.02)
Adjustments for			Proceeds from sale of property, plant and equipment	10.41	4.67
Depreciation and amortisation expense	15.51	13.07	Interest received	0.86	0.88
Loss on disposal of property, plant and equipment	0.07	0.09	Net cash outflow from investing activities	<u>(47.17)</u>	<u>(47.27)</u>
(Gain) on disposal of property, plant and equipment	(9.86)	(3.59)	Cash flows from financing activities		
Impact of fair valuation of hedge instruments	0.17	0.16	Interest paid	(3.40)	(3.75)
Interest income classified as investing cash flows	(0.86)	(0.88)	Dividends paid to company's shareholders	(8.21)	(10.98)
Finance costs	3.40	3.75	Dividend Tax paid	(1.67)	(2.24)
	8.43	12.60	Proceeds from issue of share capital	24.00	-
Change in operating assets and liabilities			Receipt of Short term loan	10.07	-
(Increase)/Decrease in trade receivables	(40.25)	18.21	Repayment of term loans	(8.98)	(7.98)
(Increase) in inventories	(18.01)	(8.78)	Net cash inflow (outflow) from financing activities	<u>11.81</u>	<u>(24.95)</u>
Increase in trade payables	35.80	15.07	Net increase (decrease) in cash and cash equivalents	(3.15)	(15.18)
Increase in provisions	0.31	(0.01)	Cash and cash equivalents at the beginning of the financial year		
(Increase) in other financial liabilities	(0.80)	0.28	Cash and cash equivalents	0.51	2.78
Increase in other current liabilities	13.14	(11.06)	Cash credit balance	<u>(15.43)</u>	<u>(2.52)</u>
(Increase) in other financial assets	0.02	(0.08)		(14.92)	0.26
(Increase)/decrease in other non-current assets	0.73	2.44	Cash and cash equivalents at end of the year		
(Increase)/decrease in other current assets	5.58	(2.26)	Cash and cash equivalents	0.93	0.51
	<u>(3.47)</u>	<u>13.81</u>	Cash credit balance	<u>(19.00)</u>	<u>(15.43)</u>
Cash generated from operations	<u>39.89</u>	<u>69.57</u>		(18.07)	(14.92)
Less: Income taxes paid	<u>7.68</u>	<u>12.53</u>			
Net cash inflow from operating activities	<u>32.21</u>	<u>57.04</u>			
Cash flows from investing activities					
Payments for property, plant and equipment	(48.85)	(40.10)			
Payments for property, plant and equipment - Cwip	14.72	(12.70)			

H LAKSHMANAN
Chairman

C N PRASAD
Director

Place: Chennai
Date : 17-04-2017

J ASHOK CHAKRAVARTHI
Chief Financial Officer

RAJESH OOMMEN
Chief Executive Officer

As per our report annexed
For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Registration No: 004207S
M BALASUBRAMANIAM
Partner
Membership No. F 7945
P D DEV KISHAN
Company Secretary

1. SIGNIFICANT ACCOUNTING POLICIES

a) Brief description of the Company

Sundaram Auto Components Limited ("the reporting entity" or referred to as "the Company") is a public limited company incorporated and domiciled in India. The registered office is located at "Jayalakshmi Estates", 29, Haddows Road, Chennai - 600006, Tamil Nadu, India.

The Company manufactures injection moulded plastic components used in automobile industry and trades in automobiles. The Company has manufacturing plants located at Chennai and Belagondapally near Hosur in Tamil Nadu, Mysore in Karnataka and Nalagarh in Himachal Pradesh.

b) Basis of preparation

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act. Ind AS is applicable to the company in view of its application to its holding company.

Disclosures under Ind AS are made only in respect of material items and in respect of items that will be useful to the users of financial statements in making economic decisions and accordingly details relating to name of customers from whom receivables are due, the amount of inventories recognized as an expense etc, are not furnished.

The financial statements upto year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer note 38 and 39 for an explanation on how the transition from GAAP to Ind AS has affected the Company's financial position, financial performance, cash flow and total equity.

c) Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future period.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

d) Critical Estimates and judgements are made in respect of

Estimation of useful life of Property, Plant and Equipment – Refer note 1(f) and 1(g)

e) Revenue recognition

i) Sale of products:

Revenue from sale of products is recognised when the products are delivered to the dealer / customer or when delivered to the designated carrier and when risks and rewards of ownership pass to the dealers / customers, as per terms of contract.

Revenue is measured and recognized at the fair value of the consideration received or receivable and net of returns, trade allowances and rebates. It includes excise duty but excludes Value Added Tax and Sales Tax.

ii) Dividend income:

Dividend from investments is recognised when the right to receive the same is established.

Significant accounting policies - (continued)

iii) Interest income:

Interest income is recognised on time proportion basis, determined by the amount outstanding and the rate applicable.

f) Property, Plant and Equipment

Freehold Land is stated at historical cost. All other items of property plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment, if any. Cost includes purchase price, taxes and duties, labour cost and directly attributable overhead expenditure incurred upto the date the asset is ready for its intended use. However, cost excludes excise duty, value added tax and service tax, wherever credit of the duty or tax is availed.

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

g) Depreciation and amortization

- i) Depreciation on tangible fixed assets is charged over the estimated useful life of the asset or part of the asset (after considering double/triple shift) as evaluated by a Chartered Engineer, on straight line method, in accordance with Part A of Schedule II to the Companies Act 2013.
- ii) The estimated useful life of the tangible fixed assets as assessed by the Chartered Engineer and followed by the Company are furnished below:

Description	Years
Factory building and other buildings	30
Material handling equipment	3
Plant and Equipment	10
Electrical equipment	15
Furniture and fixtures	16
Computers and information systems	3
Mobile phones	2
Vehicles	5

- iii) Tools and dies used for manufacture of components for two wheelers are depreciated based on quantity of components manufactured and the life of tools and dies, subject to a maximum of 3-5 years.
- iv) Residual values and useful lives are reviewed, and depreciation is accordingly charged, at the end of each reporting period. (Presently, the company retains 5% of the cost of the asset as its residual value other than mobile phones)
- v) On tangible fixed assets added / disposed off during the year, depreciation is charged on pro-rata basis from the date of addition / till the date of disposal.
- vi) Depreciation in respect of tangible assets costing less than Rs.5,000/- is provided at 100%.

h) Intangible assets

- i) Software and License fee
Intangible assets acquired are recorded at their acquisition cost and are amortised over its useful life, viz., 2 years in the case of software and license fee.
- ii) Goodwill
Goodwill on acquisition of business is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

i) Transactions in foreign currencies

- i) Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the date of transaction.
- ii) Foreign currency monetary assets and liabilities such as cash, receivables, payables, etc., are translated at year end exchange rates.
- iii) Non-monetary items denominated in foreign currency such as investments, fixed assets, etc., are valued at the exchange rate prevailing on the date of transaction.
- iv) Exchange differences arising on settlement of transactions are recognised as income or expense in the year in which they arise.

j) Hedge accounting

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

Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges):

The Company enters into forward contracts to hedge risks which are designated as fair value hedges. Gains or losses arising on fair valuation of such forward contracts are recognized in the statement of profit and loss and are included in other income/expenses.

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

- i) Cost of Raw materials, components, stores, spares, Work-in-process and Finished goods are ascertained on a moving average basis.
- ii) Cost of finished goods and work-in-process comprises of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Materials held for use in production of finished goods are not written down if the finished products in which they will be used are expected to be sold at or above cost. Slow and non-moving materials, obsolescence, defective inventories are written off if more than six months of age.

l) Employee benefits

- i) Short term obligations:
Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services upto the end of the reporting period and are recognised at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.
- ii) Other long term employee benefit:
The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured and recognized as the present value of the expected future payments to be made in respect of services provided by employee upto the end of reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Re-measurement as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of profit and loss.
- iii) Post-employment obligation:
The Company operates the following post-employment schemes:
 - a) Defined benefit plans such as gratuity for its eligible employees, pension plan for its senior managers; and
 - b) Defined contribution plan such as provident fund.

Pension and gratuity obligation:

The liability or asset recognised in the balance sheet in respect of defined benefit pension and gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by Actuaries using the projected unit credit method.

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in statement of profit and loss as past service cost.

Provident fund:

The Company regularly contributes the amounts due to the Regional Provident Fund Commissioner.

Significant accounting policies - (continued)

iv) Bonus plans:

The liability to pay Bonus is provided for in accordance with the provisions of the Payment of Bonus Act, 1965.

m) Income Tax

Tax expense comprises of current and deferred taxes.

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

Where the Company is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (the Research and Development or other investment allowances), the Company accounts for such allowances as tax credits, which means that the allowance reduce income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward to the extent that there is a reasonable certainty of recovering/utilizing such tax credits.

n) Government Grants

During the period, the company has not received any grant from the Government.

o) Provisions and contingent liabilities

i) Provisions:

A provision is recorded when the Company has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The estimated liability for product warranties is recorded when products are sold based on technical evaluation.

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

ii) Contingent liabilities:

Wherever there is a possible obligation that may, but probably will not require a cash outflow, the same is disclosed as contingent liability. Show cause notices are not considered as Contingent Liabilities unless converted into demand.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

q) Leases

In respect of assets acquired on lease, where the Company, as a lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised

at the inception of lease at fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases acquired in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating lease. Payments made under operating leases are charged to the statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

r) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment is assessed taking into account cash inflows likely from use of such assets and their carrying value.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

s) Cash and Cash equivalents

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

t) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

u) Other financial assets and Investments

i) Classification

The Company has classified its financial assets as follows:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of profit and loss), and
- Those measured at amortized cost.

The classification was based on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

ii) Measurement – financial assets:-

Initially these are recognized at cost.

In addition to transaction cost attributable to such asset, corresponding effect on fair valuation is recognized in the statement of profit and loss.

Debt Instruments:

Debt instruments which are initially recognized at cost are subsequently measured based on the company's business model for managing the asset and cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments.

Amortised Cost:

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

Fair Value through profit or loss:

Assets that do not meet the criteria for amortised cost or Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through statement of profit and loss and is not part of a hedging relationship is recognised in statement of profit and loss and presented

Significant accounting policies - (continued)

in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Measurement - Equity instruments:

The Company subsequently measures all investments in equity (except of the subsidiaries/ associate) at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of profit and loss. Dividends from such investments are recognised in statement of profit and loss as other income when the Company's right to receive payments is established.

Where the Company elects to measure fair value through profit and loss, changes in the fair value of such financial assets are recognised in the statement of profit and loss.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investment in subsidiary / associate:

Investments in subsidiary / associate are measured at cost.

iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment mythology applied depends on whether there has been significant increase in credit risk. Note 32 details how the company determines whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected credit losses to be recognised from initial recognition of the receivables.

iv) De-recognition of financial assets

A financial asset is derecognised only when:

- a) the Company has transferred the rights to receive cash flows from the financial asset or
- b) the Company retains the contractual rights to receive the cash flows of the financial asset, but a contractual obligation exists to pay the such flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized, if the Company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

v) Borrowings

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction cost) and the redemption amount is recognised in the statement of profit and loss over the period of the borrowings, using the effective interest method. Fees paid on the established loan facilities are recognised as transaction cost of the loan, to the extent that it is probable that some or all the facility will be drawn down.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit and loss as other gain/(loss).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

w) Current and Non-current classification

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

Cash or cash equivalent is treated as current, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. In respect of other assets, it is treated as current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is treated as current when:

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

All other liabilities are classified as non-current.

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

The operating cycle is the time between the acquisition of assets for processing and their realization in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

x) Business Combinations:

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business comprises the

- Fair values of the assets acquired;
- Liabilities incurred to the former owners of the acquired business;

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, measured initially at their fair values at the acquisition date.

y) Investment property:

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the company is classified as investment property. Investment Property is measured initially at its cost including related transaction cost and applicable borrowing cost. Subsequent expenditure is capitalised to the assets' carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item is measured reliably.

y) Earnings Per Share:

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for new equity shares issued during the year (note 37)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share after taking into account:

the post income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

- (iii) Other Comprehensive Income is not considered for computing earnings per share.

z) Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition, construction, production or erection of a qualifying asset are capitalized if such qualifying asset takes a substantial period of time to get ready for its intended use. Substantial period is determined on a case to case basis depending on the nature of the asset and time involved in making them ready for use.

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts

2 PROPERTY, PLANT & EQUIPMENT

Rupees in crores

Description	Property, Plant & Equipment							Total
	Freehold Land	Buildings	Plant & equipment	Furniture & fixtures	Office equipment	Computers	Vehicles	
Gross carrying amount								
Deemed Cost as at 01-04-2015	3.87	26.03	56.07	1.31	0.71	0.95	0.07	89.01
Additions	1.56	5.02	28.41	1.35	0.30	0.82	0.09	37.55
Sub-total	5.43	31.05	84.48	2.66	1.01	1.77	0.16	126.56
Sales / deletion	0.09	0.65	0.36	0.09	-	-	-	1.19
Closing Gross carrying amount	5.34	30.40	84.12	2.57	1.01	1.77	0.16	125.37
Accumulated depreciation								
For the year	-	1.11	11.12	0.16	0.08	0.45	0.03	12.95
Sub-total	-	1.11	11.12	0.16	0.08	0.45	0.03	12.95
Withdrawn on assets sold / deleted	-	0.01	-	-	-	-	-	0.01
Closing accumulated depreciation	-	1.10	11.12	0.16	0.08	0.45	0.03	12.94
Net carrying amount								
As at 31-03-2016	5.34	29.30	73.00	2.41	0.93	1.32	0.13	112.43
Gross carrying amount								
As at 01-04-2016	5.34	30.40	84.12	2.57	1.01	1.77	0.16	125.37
Additions**	0.13	15.10	30.53	2.30	0.08	0.48	0.05	48.67
Sub-total	5.47	45.50	114.65	4.87	1.09	2.25	0.21	174.04
Sales / deletion	0.36	0.04	0.41	0.07	-	0.20	0.08	1.16
Closing gross carrying amount	5.11	45.46	114.24	4.80	1.09	2.05	0.13	172.88
Accumulated depreciation								
Upto 31-03-2016	-	1.10	11.12	0.16	0.08	0.45	0.03	12.94
For the year	-	1.53	12.66	0.27	0.10	0.68	0.04	15.28
Sub-total	-	2.63	23.78	0.43	0.18	1.13	0.07	28.22
Withdrawn on assets sold / deleted	-	0.01	0.23	0.01	-	0.20	0.07	0.52
Closing accumulated depreciation	-	2.62	23.55	0.42	0.18	0.93	-	27.70
Net carrying amount								
As at 31-03-2017	5.11	42.84	90.69	4.38	0.91	1.12	0.13	145.18

** Note:

- During the financial year 2016-17 an amount of Rs. 0.48 crores has been capitalised along with buildings
- During the year the company has utilised bank borrowings of Rs. 11.50 crores at average rate of 10.07% for the buildings constructed.
- The construction was completed over a period of 5 months.

Rupees in crores

3 CAPITAL WORK-IN-PROGRESS

Description	March 31 2017	March 31 2016	April 1 2015
Capital work-in progress (at cost)			
(a) Building	1.10	8.57	-
(b) Plant & equipment	0.43	7.68	3.55
Total	1.53	16.25	3.55
4 INVESTMENT PROPERTY			
Opening Investment property (land at cost)	28.12	24.83	24.83
Add : Additions during the year	4.44	3.29	-
Closing Investment property (land at cost)	32.56	28.12	24.83
Fair value of the investment property	35.00	30.00	28.00

7 FINANCIAL ASSETS - OTHERS

Non-current			
Other deposits	0.10	0.12	0.04
Total other financial assets	0.10	0.12	0.04

8 OTHER NON-CURRENT ASSETS

Capital advances	0.79	1.58	5.96
Advances other than capital advances:			
Prepayment for lease	9.56	9.66	9.77
Taxes & Duties recoverable - (Advance income tax net of provision)	0.97	0.55	0.25
Deposit with Odisha entry tax department	3.03	2.69	2.31
Electricity deposit	2.78	2.97	1.30
Total other non-current assets	17.13	17.45	19.59

9 INVENTORIES*

Description	March 31 2017	March 31 2016	April 1 2015
Raw materials and components	12.73	10.82	10.12
Work-in-process	3.71	4.65	3.64
Finished goods	3.69	3.13	1.92
Stock-in-trade	96.70	97.11	71.54
Stock-in-trade - Two wheeler-in-transit	49.79	33.05	53.18
Stores and spares	1.02	0.87	0.45
Total inventories	167.64	149.63	140.85

*Inventories are valued at cost or net realizable value whichever is less

10 TRADE RECEIVABLES

Secured, considered good	-	-	-
Unsecured, considered good	101.22	60.97	79.18
Doubtful	0.17	1.00	0.91
Total	101.39	61.97	80.09
Less: Provision for doubtful receivables	0.17	1.00	0.91
Total	101.22	60.97	79.18

11 CASH AND CASH EQUIVALENTS

Balances with banks - Current account	0.89	0.46	0.25
Deposits with maturity of less than three months	-	-	2.50
Cash on hand	0.04	0.05	0.03
Total cash and cash equivalents	0.93	0.51	2.78

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

5 GOODWILL & OTHER INTANGIBLE ASSETS

Rupees in crores

Description	Intangible Assets		
	Goodwill	Software	Total intangible assets
Gross carrying amount			
Deemed Cost as at 01-04-2015	-	0.12	0.12
Additions	2.20	0.35	2.55
Sub-total	2.20	0.47	2.67
Sales / deletion	-	-	-
Closing gross carrying amount	2.20	0.47	2.67
Accumulated amortisation			
For the year	-	0.12	0.12
Sub-total	-	0.12	0.12
Withdrawn on assets sold / deleted	-	-	-
Closing accumulated amortisation	-	0.12	0.12
Net carrying amount			
As at 31-03-2016	2.20	0.35	2.55
Gross carrying amount			
As at 01-04-2016	2.20	0.47	2.67
Additions	-	0.18	0.18
Sub-total	2.20	0.65	2.85
Sales / deletion	-	-	-
Closing gross carrying amount	2.20	0.65	2.85
Accumulated amortisation			
Upto 31-03-2016	-	0.12	0.12
For the year	-	0.23	0.23
Sub-total	-	0.35	0.35
Withdrawn on assets sold / deleted	-	-	-
Closing accumulated amortisation	-	0.35	0.35
Net carrying amount			
As at 31-03-2017	2.20	0.30	2.50

12 CURRENT TAX ASSETS (NET)

Description	March 31 2017	March 31 2016	April 1 2015
Taxes & Duties Recoverable - (Advance income tax net of provision)	0.55	0.59	0.29
Total Current tax assets (Net)	0.55	0.59	0.29

13 OTHER CURRENT ASSETS

Balance with Central excise and VAT authorities	6.74	7.53	4.33
Prepaid expense	0.45	0.55	0.23
Prepayment of lease	0.11	0.11	0.10
Advance to suppliers	6.40	9.38	10.98
Employee advances	0.35	0.36	0.23
Other Advances	0.01	0.01	-
Taxes & other receivables	3.02	4.72	4.52
Total other current assets	17.08	22.66	20.39

6 INVESTMENTS

Sl. No.	Name of the body corporate	Subsidiary / associate	No. of shares / units			Face Value	Cur- rency	Partly paid / fully paid	Rupees in crores		
			As at 31-03-2017	As at 31-03-2016	As at 01-04-2015				As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(a)	Investment in Equity Instruments:										
	Unquoted : valued AT COST										
(i)	Green Infra Wind Energy Theni Limited, New Delhi	Associate	3,000,000	3,000,000	3,000,000	10.00	INR	Fully paid	3.00	3.00	3.00
(ii)	Sundaram Engineering Products Services Limited, Chennai	Fellow Subsidiary	-	-	7,746	10.00	INR	Fully paid	-	-	0.01
(iii)	Sundaram Holding USA, Inc., Delaware, USA (Rs.49,928 as at March, 31 2016)	Subsidiary	3,600,750	750	-	1.00	USD	Fully paid	24.24	-	-
	Total value of Equity Instruments (a)								27.24	3.00	3.01
(b)	Other non-current Investments										
(i)	Life Insurance Corporation Pension Policy, Mumbai (Valued based on amortised cost method)	--	--	--	--	--	INR	Fully paid	0.36	0.29	0.26
(ii)	Mutual Fund - SBI growth fund -Unquoted;Valued AT COST	--	--	--	--	--			0.01	-	-
	Total value of other investments (b)								0.37	0.29	0.26
	Total								27.61	3.29	3.27
	Aggregate amount of quoted investments and market value thereof								-	-	-
	Aggregate amount of unquoted investments								27.61	3.29	3.27
	Aggregate amount of impairment in value of investments								-	-	-
	Total								27.61	3.29	3.27

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

14 SHARE CAPITAL

(a) Authorised, issued, subscribed and fully paid up

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Authorised:						
Equity shares of Rs.10/-each	40,000,000	40.00	40,000,000	40.00	12,000,000	12.00
Issued, subscribed and paid up:						
Equity shares of Rs.10/- each	14,550,000	14.55	11,550,000	11.55	11,550,000	11.55
Total	14,550,000	14.55	11,550,000	11.55	11,550,000	11.55

(b) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
	Number	Rupees in crores	Number	Rupees in crores	Number	Rupees in crores
Shares outstanding at the beginning of the year	11,550,000	11.55	11,550,000	11.55	11,550,000	11.55
Shares issued during the year	3,000,000	3.00	-	-	-	-
Shares outstanding at the end of the year	14,550,000	14.55	11,550,000	11.55	11,550,000	11.55

(c) (i) Rights and preferences attached to equity share:

Every shareholder is entitled to such rights as to attend and vote at the meeting of the shareholders, to receive dividends distributed and also has a right in the residual interest of the assets of the company. Every shareholder is also entitled to right of inspection of documents as provided in the Companies Act, 2013.

(ii) There are no restrictions attached to equity shares.

(d) Shares held by holding / ultimate holding / subsidiaries / associates of holding company at the end of the year

Name of shareholder	Class of share	As at 31-03-2017		As at 31-03-2016		As at 01-04-2015	
		Number of held	% of holding	Number of held	% of holding	Number of held	% of holding
TVS Motor Company Limited, Chennai and by its six nominees	Equity	14,550,000	100.00	11,550,000	100.00	11,550,000	100.00

(e) Shareholders holding more than five percent at the end of the year (other than I(d))

Name of shareholder	Class of share	As at 31-03-2017 No. of shares held	As at 31-03-2016 No. of shares held	As at 01-04-2015 No. of shares held
-	-	-	-	-

15 OTHER EQUITY

A STATEMENT OF CHANGES IN EQUITY

EQUITY SHARE CAPITAL

Particulars	Amount
As at April 1, 2015	11.55
Changes in Equity share capital	-
As at March 31, 2016	11.55
Changes in Equity share capital	3.00
As at March 31, 2017	14.55

Description	General reserve	Securities premium reserve	Retained earnings	Total
Balance as at April 1, 2015	11.93	49.35	41.21	102.49
Add: Profit for the period 2015-16	-	-	29.38	29.38
Other comprehensive income	-	-	(0.47)	(0.47)
Sub-total	11.93	49.35	70.12	131.40
Less: Distribution to shareholders				
2014-15 Second Interim Dividend paid	-	-	2.89	2.89
2015-16 First Interim dividend paid	-	-	4.62	4.62
2015-16 Second Interim dividend paid	-	-	3.47	3.47
Dividend distribution tax paid for 2014-15	-	-	0.58	0.58
Dividend distribution tax paid for 2015-16	-	-	1.65	1.65
Surcharge increase in dividend tax for FY 2014-15	-	-	0.01	0.01
Sub-total	B	-	13.22	13.22
Balance as at March 31, 2016	C = (A-B)	11.93	49.35	56.90
Profit for the period 2016-17	-	-	25.08	25.08
Add: Other comprehensive income	-	-	(0.65)	(0.65)
Issue of equity shares	-	21.00	-	21.00
Sub-total	D	11.93	70.35	81.33

Rupees in crores

Less: Distribution to shareholders				
2016-17 First interim dividend paid	-	-	6.03	6.03
2016-17 Second Interim dividend paid	-	-	2.18	2.18
Dividend distribution tax paid for 2016-17	-	-	1.67	1.67
Sub-total	E	-	9.88	9.88
Balance as at March 31, 2017	F = (D-E)	11.93	70.35	71.45

Nature and purpose of reserves:

Security premium reserve: This consists of premium realised on issue of shares and will be applicable / utilised in accordance with the provisions of Companies Act 2013.

General reserve: Part of retained earnings was earlier utilised for declaration of dividends as per the erst while Companies Act, 1956. This is available for distribution to share holders.

16 LONG TERM BORROWINGS

Description	No. of Frequency	instal-ments due	Maturity	As at March 31 2017	As at March 31 2016	As at April 01 2015
Secured:						
Term Loan from Bank	Quarterly	16.00	Mar, 2017	-	8.98	16.96
Total Borrowings:					8.98	16.96
Less: Current Maturities of long-term borrowings (Refer note no.21)						
				-	8.98	8.00
Total Long-term Borrowings					-	8.96
Details of securities created:						
Term loan from Banks - First charge on the entire property, plant and equipment						
Description	Currency	Amount	Rate of interest			
Term loan - Bank	INR	Rs. 31 crores	Base rate + 2.35%			

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

17 PROVISIONS

Rupees in crores

Employee benefit obligations	March 31, 2017			March 31, 2016			April 1, 2015		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Pnsion	–	1.33	1.33	–	0.81	0.81	0.05	0.56	0.61
Leave Salary	0.04	0.91	0.95	0.03	0.69	0.72	0.02	0.40	0.42
Gratuity	–	0.49	0.49	–	–	–	–	–	–
Total employee benefit obligations	0.04	2.73	2.77	0.03	1.50	1.53	0.07	0.96	1.03

	Gratuity			Pension			Leave Salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
April 1, 2015									
Opening values	1.85	2.12	0.27	0.61	–	(0.61)	0.42	–	(0.42)
Current service cost	0.18	–	(0.18)	0.02	–	(0.02)	0.05	–	(0.05)
Interest expense / (income)	0.15	0.19	0.04	0.05	–	(0.05)	0.03	–	(0.03)
Total amount recognised in profit or loss	0.33	0.19	(0.14)	0.07	–	(0.07)	0.08	–	(0.08)
Remeasurements									
Return on plan assets, excluding amounts included in interest expense / (income)	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in financial assumptions	–	–	–	–	–	–	0.08	–	(0.08)
Experience (gains) / losses	0.38	–	(0.38)	0.13	–	(0.13)	0.34	–	(0.34)
Total amount recognised in other comprehensive income	0.38	–	(0.38)	0.13	–	(0.13)	0.42	–	(0.42)
Employer contributions	–	0.56	0.56	–	–	–	–	–	–
Benefit payments	(0.15)	(0.15)	–	–	–	–	(0.20)	–	0.20
March 31, 2016	2.41	2.72	0.31	0.81	–	(0.81)	0.72	–	(0.72)

	Gratuity			Pension			Leave Salary		
	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount	Present value of obligation	Fair value of plan assets	Net amount
April 1, 2016									
Opening values	2.41	2.72	0.31	0.81	–	(0.81)	0.72	–	(0.72)
Current service cost	0.31	–	(0.31)	0.02	–	(0.02)	0.03	–	(0.03)
Interest expense / (income)	0.19	0.19	–	0.06	–	(0.06)	0.06	–	(0.06)
Total amount recognised in profit or loss	0.50	0.19	(0.31)	0.08	–	(0.08)	0.09	–	(0.09)
Remeasurements									
Return on plan assets, excluding amounts included in interest expense / (income)	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in demographic assumptions	–	–	–	–	–	–	–	–	–
(Gain) / loss from change in financial assumptions	0.69	–	(0.69)	–	–	–	0.11	–	(0.11)
Experience (gains) / losses	0.13	–	(0.13)	0.44	–	(0.44)	0.14	–	(0.14)
Total amount recognised in other comprehensive income	0.82	–	(0.82)	0.44	–	(0.44)	0.14	–	(0.14)
Employer contributions	–	0.33	0.33	–	–	–	–	–	–
Benefit payments	–	–	–	–	–	–	–	–	–
March 31, 2017	3.73	3.24	(0.49)	1.33	–	(1.33)	0.95	–	(0.95)

(i) Post-Employment benefits

Significant estimates: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

Details	Gratuity		Pension		Leave Salary	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	7.00%	8.00%	7.00%	8.00%	7.00%	8.00%
Inflation	–	–	–	–	–	–
Salary growth rate	6.00%	5.00%	6.00%	5.00%	6.00%	5.00%
Pension growth rate	–	–	–	–	–	–
Attrition rate	–	–	–	–	–	–

Assumptions regarding future mortality for pension and medical benefits are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at 60 years.

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

17 PROVISIONS - (continued)

Rupees in crores

(ii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Details	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	March 31, 2017	March 31, 2017	March 31, 2017
Discount rate	0.50%	-5.17%	5.70%
Salary growth rate	0.50%	5.54%	-5.11%
Pension growth rate	-	-	-
Life expectancy	-	-	-

Details	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	0.50%	0.50%	-8.78%	-	9.83%	-
Salary growth rate	0.50%	0.50%	5.14%	-	-4.91%	-
Pension growth rate	-	-	-	-	-	-
Life expectancy	-	-	-	-	-	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(iii) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under perform this yield, this will create a deficit. Most of the plan asset investments is in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk with derivatives to minimise risk to an acceptable level. A portion of the funds are invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The company intends to maintain the above investment mix in the continuing years.

Changes in bond yield: A decrease in bond yields will increase plan liabilities, although this will be partially offset by an yields increase in the value of the plans' bond holdings. Inflation risks: In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The pension plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

18 DEFERRED TAX LIABILITY / (ASSET)

The balance comprises temporary differences attributable to:

Details	March 31, 2017	March 31, 2016	April 1, 2015
Depreciation	12.45	10.11	8.13
Provision for employee benefits	(0.97)	(0.53)	(0.35)
Provision for doubtful debts	(0.06)	(0.35)	(0.31)
Others	0.13	0.14	0.13
On Financial instruments	(0.38)	(0.46)	(0.50)
Net deferred tax liability / (Asset)	11.17	8.91	7.10

Movement in deferred tax Liability / (Asset)

Details	Depreciation	Provision for employee benefits	Provision for doubtful debts	Financial Instruments	Others	Total
At April 1, 2015	8.13	(0.35)	(0.31)	(0.50)	0.13	7.10
(Charged)/credited:						-
- to profit or loss	1.98	(0.14)	(0.04)	0.04	0.01	1.85
- to other comprehensive income		(0.04)				(0.04)
At March 31, 2016	10.11	(0.53)	(0.35)	(0.46)	0.14	8.91
(Charged)/credited:						
- to profit or loss	2.34	(0.16)	0.29	0.08	(0.01)	2.54
- to other comprehensive income	-	(0.28)				(0.28)
At March 31, 2017	12.45	(0.97)	(0.06)	(0.38)	0.13	11.17

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Description	Rupees in crores			Description	Rupees in crores	
	As at 31 March 2017	As at 31 March 2016	As at April 1 2015		Year ended 31 March 2017	Year ended 31 March 2016
19 CURRENT LIABILITIES - BORROWINGS				25 COST OF MATERIALS CONSUMED		
Repayable on demand from banks				Opening stock of raw materials and components	10.82	10.12
Secured	10.07	-	-	Add: Purchases	<u>320.16</u>	<u>323.21</u>
Unsecured	1.43	0.87	0.73		330.98	333.33
Cash credit facility - Secured	17.57	14.56	1.79	Less: Closing stock of raw materials and components	<u>12.73</u>	<u>10.82</u>
Total borrowings under current liabilities	<u>29.07</u>	<u>15.43</u>	<u>2.52</u>	Consumption of raw materials and components	<u>318.25</u>	<u>322.51</u>
Details of securities created for Cash credit facility :				Purchases of stock-in-trade		
Hypothecation of book debts and inventories of the company, both present and future				Automobiles	<u>2,328.44</u>	<u>2,227.82</u>
					<u>2,328.44</u>	<u>2,227.82</u>
20 TRADE PAYABLES				Changes in inventories of finished goods, work-in-process and stock-in-trade:		
Current				Opening stock:		
Dues to Micro and Small Enterprises**	0.86	2.65	0.74	Work-in-process	4.65	3.64
Dues to enterprises other than Micro and Small Enterprises	213.22	175.63	162.47	Stock-in-trade-Two Wheelers	97.11	71.54
Total trade payables	<u>214.08</u>	<u>178.28</u>	<u>163.21</u>	Finished goods	3.13	1.92
				(A)	<u>104.89</u>	<u>77.10</u>
				Closing stock:		
				Work-in-process	3.71	4.65
				Stock-in-trade-Two Wheelers	96.70	97.11
				Finished goods	3.69	3.13
				(B)	<u>104.10</u>	<u>104.89</u>
				(A) - (B)	<u>0.79</u>	<u>(27.79)</u>
				26 EMPLOYEE BENEFIT EXPENSE		
				Salaries, wages and bonus	46.14	40.28
				Contribution to provident and other funds	2.90	2.42
				Welfare expenses	7.75	8.29
				Total employee benefit expense	<u>56.79</u>	<u>50.99</u>
21 OTHER FINANCIAL LIABILITIES				27 FINANCE COSTS		
Current				Interest	3.30	3.63
Current Maturities of long term borrowings				Others - Credit limit renewal charges	0.10	0.12
i) Term loans from banks	-	8.98	8.00	Total finance costs	<u>3.40</u>	<u>3.75</u>
	-	8.98	8.00	28 OTHER EXPENSES		
Interest accrued and due on loans	-	0.10	0.20	(a) Consumption of stores, spares and tools	3.75	4.07
Payable under hedge instruments	0.17	0.16	0.32	(b) Power and fuel	16.74	16.22
Liability for expenses	2.36	3.22	3.42	(c) Rent	8.08	5.94
Employee related	3.94	3.62	2.72	(d) Repairs - buildings	3.33	3.41
Other payable towards investment property	32.56	28.12	24.83	(e) Repairs - plant and equipment	11.14	9.76
Total other current financial liabilities	<u>39.03</u>	<u>44.20</u>	<u>39.49</u>	(f) Repairs - Other assets	1.16	1.04
				(g) Insurance	1.18	0.95
				(h) Rates and taxes	3.12	2.69
				(i) Audit fees	0.18	0.20
				(j) Packing and freight charges	50.16	50.73
				(k) Sitting fees	0.02	0.02
				(l) Commission to Independent Directors	0.18	0.18
				(m) Loss on sale of fixed assets	0.07	0.09
				(n) Foreign exchange loss	0.66	1.01
				(o) Bad debts written off	0.77	-
				(p) Provision for doubtful debts	-	0.34
				(q) Amount spent towards corporate social responsibility	0.70	0.41
				(r) Miscellaneous / Other expenses	9.92	10.22
				Total other expenses	<u>111.16</u>	<u>107.28</u>
				22 OTHER CURRENT LIABILITIES		
Statutory dues	21.27	19.07	16.12	23 REVENUE FROM OPERATIONS (including excise duty)		
Advance received from customers	28.36	17.42	31.43	Sale of two wheelers	2,373.38	2,241.78
Total other current liabilities	<u>49.63</u>	<u>36.49</u>	<u>47.55</u>	Sale of components	539.16	551.63
				Other operating revenue	1.33	1.94
				Total revenue	<u>2,913.87</u>	<u>2,795.35</u>
				24 OTHER INCOME		
				Interest income	0.86	0.88
				Profit on sale of Fixed assets	0.02	0.36
				Provision for doubtful debts no longer required	0.82	0.21
				Other non-operating income - scrap sales	0.38	1.37
				Total other income	<u>2.08</u>	<u>2.82</u>

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Description	Rupees in crores		Description	Rupees in crores		
	Year ended 31 March 2017	Year ended 31 March 2016		As at / year ended 31-03-2017	As at / year ended 31-03-2016	As at / year ended 31-03-2015
29 EXCEPTIONAL ITEMS			31 (b) Transactions with related parties:			
Profit on sale of immovable property	9.84	3.15	(i) Purchase of goods			
Insurance claim received	-	0.08	- Holding Company -TVS Motor Company Ltd, Chennai	2,328.44	2,227.82	
Total exceptional items	9.84	3.23	- Ultimate Holding Company T V Sundaram Iyengar & Sons Private Limited, Madurai	0.03	0.02	
30 INCOME TAX EXPENSE			- Associate Green Infra Wind Energy Theni Limited, New Delhi	8.01	4.69	
(a) Income tax expense			(ii) Purchase of fixed assets			
<u>Current tax</u>			- Holding company -TVS Motor Company Limited, Chennai	-	0.65	
Current tax on profits for the year	7.31	11.94	- Ultimate holding company -Sundaram-Clayton Limited, Chennai	-	0.35	
MAT credit entitlement			(iii) Purchase of Investment			
Adjustments for current tax of prior periods	-	(0.01)	Subsidiary Company--Sundaram Holding USA Inc., Delaware, USA	24.24	-	
Total current tax expense	7.31	11.93	(iv) Issue of Shares (including premium)			
<u>Deferred tax</u>			- Holding company-TV S Motor Company Ltd., Chennai	24.00	-	
Decrease (increase) in deferred tax assets	(0.07)	(0.18)	(v) Sale of goods			
(Decrease) increase in deferred tax liabilities	2.33	1.81	- Holding Company-TV S Motor Company Ltd., Chennai	296.68	302.66	
Total deferred tax expense / (benefit)	2.26	1.81	- Fellow Subsidiary -Lucas - TVS Limited, Chennai	0.08	0.41	
Income tax expense	9.57	13.74	(vi) Sale of fixed assets			
(b) Reconciliation of tax expense and the accounting profit multiplied by Indian tax rate:			- Holding company-TV S Motor Company Limited, Chennai	10.02	3.96	
Profit before income tax expense	34.93	43.16	(vii) Sale of Investments			
Tax at the Indian tax rate of 34.61% (2015-2016-34.61%)	12.09	14.94	- Fellow Subsidiary-TV S Investments Limited, Chennai (Formerly Sundaram Investment Limited)	-	0.01	
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			(viii) Rendering of services			
Capital gains on sale of land	(3.37)	(1.09)	- Ultimate holding company-Sundaram-Clayton Limited, Chennai	2.17	1.58	
Other items (on account of other disallowances)	0.16	(0.35)	- Holding company-TV S Motor Company Limited, Chennai	-	0.03	
Difference between depreciation as per books and income tax	(2.38)	(1.57)	- Group Member-Emerald Haven Realty Limited, Chennai	0.11	0.10	
Tax under normal provisions	6.50	11.93	(ix) Receiving of services			
Tax payable under Minimum Alternate Tax provisions @21.34%	7.31	-	- Holding company-TV S Motor Company Limited, Chennai	0.48	0.45	
Income tax expense	7.31	11.93	- Ultimate holding company-Sundaram-Clayton Limited, Chennai	3.08	4.09	
			- Fellow subsidiaries-Lucas TVS Limited, Chennai	0.12	0.12	
			- TVS Electronics Limited, Chennai	0.04	0.04	
			(x) Dividend paid			
			- Holding company-TV S Motor Company Limited, Chennai	8.21	8.09	
			31 (c) Balances with related parties:			
			(i) Trade receivables			
			-Holding company-TV S Motor Company Limited, Chennai	16.06	4.57	16.76
			-Ultimate holding company-Sundaram-Clayton Ltd, Chennai	0.12	-	0.26
			-Fellow subsidiary-Lucas - TVS Limited, Chennai	0.09	0.13	0.57
			-Group Member-Emerald Haven Realty Limited, Chennai	0.03	0.01	-
			(ii) Trade payables			
			-Holding company-TV S Motor Company Limited, Chennai	158.82	133.23	118.89
			-Ultimate holding company-Sundaram-Clayton Ltd, Chennai	0.47	1.51	-
			-Fellow subsidiaries-Lucas - TVS Limited, Chennai	0.01	0.11	0.11
			-Associate-Green Infra Wind Energy Theni Limited, New Delhi	0.14	0.12	0.04

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Rupees in crores

32 FINANCIAL RISK MANAGEMENT

The company's activities expose it to market risk, liquidity risk and credit risk.

This note explains the sources of risk which the entity is exposed to and how the entity mitigates the risk and the impact of hedge accounting in the financial statements.

Risk	"Exposure arising from"	Measurement	Mitigation plan
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit

The company's risk management is carried out by the treasury department under policies approved by the Board of directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) Credit risk

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

(i) Credit risk management

Credit risk is managed by the entity. For banks and financial institutions, only high rated banks / institutions are accepted.

For other financial assets, the company assesses and manages credit risk based on internal credit rating system. The finance function consists of a separate team who assess and maintain an internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- 1 : High-quality assets, negligible credit risk
- 2 : Quality assets, low credit risk
- 3 : Standard assets, moderate credit risk
- 4 : Substandard assets, relatively high credit risk
- 5 : Low quality assets, very high credit risk
- 6 : Doubtful assets, credit-impaired

The company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk The company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are included -

- Internal credit rating
- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increase in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in The company and changes in the operating results of the borrower.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model."

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

(ii) Provision for expected credit losses

The company provides for expected credit loss based on the following:

Year ended 31 March 2017:

(a) Expected credit loss for loans, security deposits and investments

Particulars	Category	Asset group	Internal credit rating	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	"Security Deposits"	1	0.10	-	-	0.10
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at Amortized Cost	-	0.36	-	-	0.36
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and credit-impaired	NA	NA	NA	NA	NA	NA

(b) Expected credit loss for trade receivables under simplified approach

Ageing	Less than 180 days	More than 180 days	Total
Gross carrying amount	101.22	0.17	101.39
Expected loss rate	-	100%	-
Expected credit losses (Loss allowance provision)	-	(0.17)	(0.17)
Carrying amount of trade receivables (net of impairment)	101.22	-	101.22

Year ended 31 March 2016:

(a) Expected credit loss for loans, security deposits and investments

Particulars	Category	Asset group	Internal credit rating	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	"Security Deposits"	1	0.12	-	-	0.12
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at Amortized Cost	-	0.29	-	-	0.29
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and credit-impaired	NA	NA	NA	NA	NA	NA

(b) Expected credit loss for trade receivables under simplified approach

Ageing	Less than 180 days	More than 180 days	Total
Gross carrying amount	60.97	1.00	61.97
Expected loss rate	-	100%	-
Expected credit losses (Loss allowance provision)	-	(1.00)	(1.00)
Carrying amount of trade receivables (net of impairment)	60.97	-	60.97

As at 1 April 2015:

(a) Expected credit loss for loans, security deposits and investments

Particulars	Category	Asset group	Internal credit rating	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	"Security Deposits"	1	0.04	-	-	0.04

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Rupees in crores

Particulars	Category	Asset group	Internal credit rating	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at Amortized Cost	-	0.26	-	-	0.26
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and credit-impaired	NA	NA	NA	NA	NA	NA

b) Expected credit loss for trade receivables under simplified approach

Ageing	Less than 180 days	More than 180 days	Total
Gross carrying amount	79.18	0.91	80.09
Expected loss rate	-	100%	-
Expected credit losses (Loss allowance provision)	-	(0.91)	(0.91)
Carrying amount of trade receivables (net of impairment)	79.18	-	79.18

(iv) Reconciliation of loss allowance provision – Trade receivables

Details	Amount in Crs
Loss allowance on 1 April 2015	0.91
Changes in loss allowance	0.09
Loss allowance on 31 March 2016	1.00
Changes in loss allowance	(0.83)
Loss allowance on 31 March 2017	0.17

(B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, the entities treasury maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. In addition, the company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

Details	31 March, 2017	31 March, 2016	1 April, 2015
Floating rate - Expiring within one year (bank overdraft and other facilities)	7.43	10.44	16.71

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in INR.

(ii) Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

Particulars	Maturity	Amount (Rs. in Cr.)		
		31-Mar-17	31-Mar-16	1-Apr-15
Term loan	> than 12 months	-	-	8.96
Short-term borrowings	< than 12 months	29.07	15.43	2.52
Trade payables	< than 12 months	214.08	178.28	163.21
Consideration payable for purchase of investment property	< than 12 months	32.56	28.12	24.83
Current maturities of term loan	< than 12 months	-	8.98	8.00
Interest accrued and due on loans	< than 12 months	-	0.10	0.20
Payable under hedge instruments	< than 12 months	0.17	0.16	0.32
Employee related	< than 12 months	3.94	3.62	2.72

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

Rupees in crores

(C) Market risk

(i) Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows.

The company's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

Details	31 March 2017		31 March 2016		01 April 2015	
	USD	JPY	USD	JPY	USD	JPY
Financial liabilities						
Foreign currency loan	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-
Trade payables	7.50	2.00	4.42	-	7.34	4.49
Net exposure to foreign currency risk (liabilities)	7.50	2.00	4.42	-	7.34	4.49

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments

Details	Impact on profit		Impact on profit after tax	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
USD sensitivity				
INR/USD Increases by 5%	0.37	0.22	0.27	0.15
INR/USD Decreases by 5%	(0.37)	(0.22)	(0.27)	(0.15)
JPY sensitivity				
INR/JPY Increases by 5%	0.10	-	0.07	-
INR/JPY Decreases by 5%	(0.10)	-	(0.07)	-

* Holding all other variables constant

(ii) Cash flow and fair value interest rate risk

The company's main interest rate risk arises from short-term borrowings with variable rates, which expose the company to rate risk.

Interest rate risk exposure

Particulars	31-Mar-17	31-Mar-16	1-Apr-15
Variable rate borrowings	29.07	24.41	19.48
Weighted average interest rate	11.22%	15.63%	15.96%
% of total borrowings	100%	100%	100%

Sensitivity analysis

Details	Impact on profit		Impact on profit after tax	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Interest rate				
Increases by 5%	(0.16)	(0.19)	(0.12)	(0.13)
Decreases by 5%	0.16	0.19	0.12	0.13

(D) Impact of hedging activities

Disclosure of effects of hedge accounting on financial position

Type of hedges and risks	Nominal Value of the hedging instruments	Carrying amount hedging instruments (Liability)	Maturity Date	Hedge Ratio	Weighted Average price	Changes in fair value of hedging instrument
31st March 2017						
Forward Contracts	10.93	0.17	April 2017 to July 2017	1:1	INR/USD Rs.66.23 INR/JPY Rs.0.59	(0.01)
31st March 2016						
Forward Contracts	5.52	0.16	April 2016 to June 2016	1:1	INR/USD Rs.68.64	0.16
1st April 2015						
Forward Contracts	16.64	0.32	April 2015 to September 2015	1:1	INR/USD Rs.63.97 INR/JPY Rs.0.55	(0.32)

SUNDARAM AUTO COMPONENTS LIMITED

Rupees in crores

Rupees in crores

33 CAPITAL MANAGEMENT

(a) Risk management

The company's objectives in regard to managing capital are

- to safeguard its status as a going concern
- to ensure returns to shareholders
- to ensure benefits to stakeholders

In order to maintain optimum capital structure, the board may

- increase the capital by fresh issue of shares or
- reduce the same by return to equity holders
- vary the equity by increasing or reducing the quantum of dividend

Consistently, the company monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet).

The company's strategy is to maintain an optimum gearing ratio. The gearing ratios were as follows:

Details	March 31, 2017	March 31, 2016	April 1, 2015
Net debt	28.14	23.90	16.70
Total equity	168.28	129.73	114.04
Net debt to equity ratio	16.72%	18.42%	14.64%

(b) Dividends

Details	March 31, 2017	March 31, 2016
(i) Equity shares		
Interim dividends for the year ended 31 March 2015 of Rs.2.50 per fully paid share	-	2.89
Interim dividends for the year ended 31 March 2016 of Rs.7.00 per fully paid share	-	8.09
Interim dividends for the year ended 31 March 2017 of Rs.6.50 per fully paid share	8.21	-
(ii) Dividends not recognised at the end of the reporting period	-	-

Rupees in crores

34 FAIR VALUE MEASUREMENTS

Financial instruments by category

Particulars	March 31, 2017			March 31, 2016			April 1, 2015		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets									
Investments									
- Equity instruments	-	-	-	-	-	-	0.01	-	-
- Preference shares	-	-	-	-	-	-	-	-	-
- Others									
Life Insurance Corporation Pension Policy, Mumbai	0.36	-	-	0.29	-	-	0.26	-	-
Mutual Fund investments	0.01	-	-	-	-	-	-	-	-
Deposits	-	-	0.10	-	-	0.12	-	-	0.04
Trade receivables	-	-	101.22	-	-	60.97	-	-	79.18
Cash and cash equivalents	-	-	0.93	-	-	0.51	-	-	2.78
Total financial assets	0.37	-	102.25	0.29	-	61.59	0.27	-	82.00
Financial liabilities									
Trade payables	-	-	214.08	-	-	178.28	-	-	163.21
Borrowings	-	-	29.07	-	-	15.43	-	-	11.48
Other payables - Consideration payable for purchase or investment property	-	-	32.56	-	-	28.12	-	-	24.83
Others									
- Current Maturities of long term borrowings(Term loan)	-	-	-	-	-	8.98	-	-	8.00
- Interest accrued and due on loans	-	-	-	-	-	0.10	-	-	0.20
- Payable under hedge instruments	0.17	-	-	0.16	-	-	0.32	-	-
- Liability for expenses	-	-	2.36	-	-	3.22	-	-	3.42
- Employee related	-	-	3.94	-	-	3.62	-	-	2.72
Total financial liabilities	0.17	-	282.01	0.16	-	237.75	0.32	-	213.86

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial Investments at FVTPL:					
Life Insurance Corporation Pension Policy, Mumbai	6			0.36	0.36
Mutual Fund Financial Investments at FVOCI:				0.01	0.01
Total financial assets				0.37	0.37
Financial liabilities					
Payable under hedge instruments	21		0.17	-	0.17
Total financial liabilities			0.17	-	0.17

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 31 March 2017	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Investments					
Others					
Deposits	7			0.10	0.10
Total financial assets				0.10	0.10
Financial Liabilities					
Total financial liabilities					

Financial assets and liabilities measured at fair value - recurring fair value measurements

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial Investments at FVTPL:					
Life Insurance Corporation Pension Policy, Mumbai	6			0.29	0.29
Financial Investments at FVOCI:					
Total financial assets				0.29	0.29
Financial liabilities					
Payable under hedge instruments	21		0.16	-	0.16
Total financial liabilities			0.16	-	0.16

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At 31 March 2016	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Investments					
Deposits	7			0.12	0.12
Total financial assets				0.12	0.12
Financial Liabilities					
Total financial liabilities					

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Rupees in crores

Financial assets and liabilities measured at fair value - recurring fair value measurements

At April 1, 2015	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial Investments at FVTPL:					
Investment in Sundaram Engineering Products Services Limited, Chennai	6	-	-	0.01	0.01
Life Insurance Corporation Pension Policy, Mumbai	6			0.26	0.26
Financial Investments at FVOCI:					
Total financial assets		-	-	0.27	0.27
Financial liabilities					
Payable under hedge instruments	21	-	0.32	-	0.32
Total financial liabilities		-	0.32	-	0.32

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

At April 1, 2015	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Investments					
Deposits	7			0.04	0.04
Total financial assets		-	-	0.04	0.04
Financial Liabilities					
Total financial liabilities		-	-	-	-

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued using the closing NAV.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

There are no transfers between levels 1 and 2 during the year.

The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of foreign currency option contracts is determined using Black Scholes valuation model.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 2

Fair value measurements using significant unobservable inputs (level 3)

Details	Unlisted Securities	Pension Assets
As at 1 April 2015	0.01	0.26
Acquisition/(Disposal)	(0.01)	0.03
Gains/losses recognised in profit or loss		
Gains/losses recognised in OCI		
31-Mar-16	-	0.29
Acquisition/(Disposal)		
Gains/losses recognised in profit or loss		-
Gains/losses recognised in OCI		0.07
31-Mar-17	-	0.36

Valuation inputs and relationships to fair value

Particulars	Fair value as at			Significant unobservable inputs*	Probability-weighted range			Sensitivity
	31-Mar-17	31-Mar-16	1-Apr-15		31-Mar-17	31-Mar-16	1-Apr-15	
Pension Asset	0.36	0.29	0.26	Risk adjusted discount rate	7%	8%	8%	50 Basis point decrease in discount rate would have increased assets by Rs.0.02 crs and 50 Basis point increase in discount rate would have decreased the asset by Rs.0.02 Crs

(v) Valuation processes

The finance department of the company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once in every three months, in line with the group's quarterly reporting periods.

Rupees in crores

The main level 3 inputs for unlisted equity securities, contingent considerations and indemnification asset used by the group are derived based on the the discount rates that are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset"

(vi) Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of trade receivables, trade payables, deposits, cash and cash equivalents and other current financial liabilities are considered to be the same as their fair values, due to their short-term nature and in-significant change in interest rate

35 BUSINESS COMBINATION

During 2015-16, the company acquired a automobile seat manufacturing business at Nalagarh, Himachal Pradesh. On the purchase of this business, assets and liabilities were recorded at fair values based on a chartered engineer's technical valuation. Consideration paid in excess of net assets acquired has been treated as Goodwill.

Details	Amount in Crs.
Land & Building	4.33
Plant & Equipments	4.79
Current Assets	1.28
Sub total (1)	10.40
Current Liabilities (2)	(3.60)
Sub total (3)=(1)+(2)	6.80
Consideration Paid (4)	9.00
Goodwill (5)=(4)-(3)	2.20

Note:

(i) Goodwill is monitored by the management taking in to account the cash generated by the acquired business. As per the management assessment no impairment is warranted as the current level of operations and cash inflows acquired from the business is sufficient to cover the carrying value goodwill and net assets.

(ii) Following are the assumptions used by the management for the said assessment:

Annual Cash Inflow	Rs. in Cr	5.00
Remaining useful life of the assets	No. of Yrs	10
Pre-tax Discount rate	%	8%

(iii) Company has assessed a constant net cash inflow of Rs.5 Crores over the next 5 years for the purpose of impairment testing

36 OTHER DISCLOSURES

(i) Contingent liabilities

Rupees in crores

Details	31st March 2017	31st March 2016	01st April 2015
(i) Claims against the company not acknowledged as debt	2.43	3.04	2.57
(ii) Guarantees excluding Financial Guarantees	-	0.02	0.02
(iii) Other money for which the company is contingently liable*	33.19	17.89	41.09
Total	35.62	20.95	43.68

(ii) Rental expenses relating to operating Lease

Details	31st March 2017	31st March 2016
Minimum lease payments	0.16	0.08
Total	0.16	0.08

(iii) Audit Fees

Details	31st March 2017	31st March 2016
As statutory auditors	0.14	0.12
Taxation matters	0.03	0.03
Certification matters	0.01	0.01
Total	0.18	0.16

(iv) Expenditure incurred on Corporate Social Responsibility activities:

Details	31st March 2017	31st March 2016
(a) Gross amount required to be spent by the company during the year*	0.62	0.41
(b) Amount spent during the year in cash:		
(i) Construction / acquisition of any asset		
(ii) On purposes other than (i) above	0.70	0.41
Total	0.70	0.41

SUNDARAM AUTO COMPONENTS LIMITED

Notes on accounts - (continued)

Rupees in crores

(v) Consolidated financial statements:

As per Rule 6 of the Companies (Accounts) Rules, 2016, the Company, being an intermediate wholly owned subsidiary, has been exempted from preparation of CFS, since the holding company prepares consolidated financial statements in compliance with the applicable Accounting Standards.

(vi) Segment Reporting:

The company operates in only one segment namely, manufacturing and selling of automobile parts and trading of automobiles.

Details	31st March 2017	31st March 2016
Trade payables include amount due to micro and small scale industrial units	0.86	2.65

Disclosure under Micro, Small and Medium Enterprises Development Act, 2006	31st March 2017	31st March 2016
(i) The principal amount and interest due thereon remaining unpaid to any supplier at the end of each accounting year:		
a) Principal (all are within agreed credit period and not due for payment)	0.86	2.65
b) Interest (as no amount is overdue)	Nil	Nil
(ii) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amount of payment made to the supplier beyond the appointed day during each accounting year.	Nil	Nil
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	Nil	Nil
(v) The 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 enterprise, for the purpose of disallowance as deductible expenditure under Section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

37 EARNINGS PER SHARE

(a) Basic and diluted earnings per share	31 March, 2017	31 March, 2016
Basic and diluted earnings per share attributable to the equity holders of the Company	20.21	25.43
(b) Earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share	25.08	29.38
(c) Weighted average number of equity shares used as the denominator in calculating basic earnings per share	1,24,06,164	1,15,50,000

38 TRANSITION TO IND AS

These are the Company's first financial statements prepared in accordance with Ind AS.

A. Exemptions and exceptions availed

1. Deemed cost - Property, Plant, Equipments, Intangible Assets & Investment Properties

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Property. Company has chosen to retain the cost of the property, plant, equipment, intangible assets and investment properties at their GAAP value.

2. Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The company has elected to apply this exemption for such contracts/arrangements.

3. Deemed cost - Equity Investments

Ind AS 101 permits first time adopter to elect to measure the investments in subsidiaries, associates and joint venture at cost determined in accordance with Ind AS 27 or deemed cost. Deemed cost for the purpose of transition shall mean fair value of the investment at the entity's date of transition to Ind AS or GAAP carrying amount at that date (GAAP cost). A first-time adopter may choose either Fair Value or GAAP carrying amount in each subsidiary, joint venture or associate that it elects to measure using a deemed cost.

Accordingly the company has elected to measure equity investments in subsidiaries and associates at GAAP carrying cost.

B. Mandatory Exemptions

(I) Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The company made estimates for following items in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

(i) Investments in equity instruments carried at Fair Value through OCI.

(ii) Investments in debt instruments carried at FVPL / Amortised Cost.

(iii) Impairment of financial assets based on Expected Credit Loss Model.

(iv) Fair valuation of other financial assets and liabilities in accordance with IND AS 109.

(II) Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in Ind AS 109, at that date. Hedging relationships cannot be designated retrospectively, and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of 1 April 2015 are reflected as hedges in the company's results under Ind AS.

On date of transition to Ind AS, the entity had assessed that all the designated hedging relationship qualifies for hedge accounting as per Ind AS 109. Consequently, the company continues to apply hedge accounting on and after the date of transition to Ind AS.

(III) Classification and Measurement of Financial Assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

C. Notes to first-time adoption:

1. Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income. Under the previous GAAP, these remeasurements were forming part of the statement of profit and loss for the year. As a result of this change, the profit for the year ended March 31, 2016 increased by Rs.0.51 Crores. There is no impact on the total equity as at 31 March 2016.

2. Deferred tax

Deferred tax have been recognised on the adjustments made on transition to Ind AS.

3. Security deposits

Under GAAP, interest free lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, all financial assets are required to be recognised at fair value. Accordingly, The company has fair valued these security deposits under Ind AS. Difference between the fair value and transaction value of the security deposit has been recognised as prepaid rent. Consequent to this change, the amount of security deposits decreased by Rs.0.44 Crs as at 31 March 2016 (1 April 2015 - Rs.0.42 Crs). The prepaid rent increased by Rs.0.40 Crs as at 31 March 2016 (1 April 2015 - Rs. 0.39 Crs). Total equity decreased by Rs.0.02 Crs as on 1 April 2015. The profit for the year and total equity as at 31 March 2016 decreased by Rs.0.01 Crs due to amortisation of the prepaid rent of Rs.0.01 Crs which is partially off-set by the notional interest income of Rs.17,945 recognised on security deposits.

4. Lease hold Land

Under GAAP, leasehold land was disclosed as part of Property, plant and equipment and amortization was claimed. Under Ind AS, the lease of land is treated as an operating lease and consequently the unamortised portion of upfront payment for lease of land has been treated as a prepayment. Consequent to this change, the amount of lease hold land decreased by Rs.9.63 Crs as at 31 March 2016 (1 April 2015 - INR 9.63 Crs). The value of prepayment of lease increased by Rs.9.39 Crs as at 31 March 2016 (1 April 2015 - INR 9.49 Crs). Total equity decreased by Rs.0.14 Crs as of 1 April 2015. The profit for the year and total equity as at 31 March 2016 decreased by Rs.0.07 Crs due to amortization of prepayment of lease.

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Notes on accounts - (continued)

5. Borrowings

Under GAAP, transaction fees on borrowings were charged off to expense during availment of loan. Under Ind AS, the transaction cost has to be deducted from the carrying amount of the borrowings on the initial recognition. These costs are recognised in the profit or loss over the tenor of the borrowing as part of the interest expense by applying the Effective Interest Rate. This has resulted in reducing the value of borrowings by Rs.0.02 Crs as at 31 March 2016 (1 April 2015 - Rs.0.02 Crs). The profit and equity for the year ending 31 March 2016 has reduced by Rs.0.02 Crs. (1 April 2015 - Rs.0.02 Crs)

6. Fair Valuation of Investments

Under GAAP, long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Under Ind AS these investments are required to be measured at fair value. The resulting fair value changes of these investments have been recognised in the retained earnings as at the date of transition and subsequently in the statement of profit and loss for the year ended 31 March 2016. The net decrease in retained earnings as at 1 April 2015 is Rs.0.74 Crs and net increase as at 31 March 2016 is Rs.0.03 Crs.

7. Investment Property

Under previous GAAP, investment properties were presented as part of non-current investments. Under Ind AS, investment properties are required to be separately presented on the face of the balance sheet. There is no impact on the total equity or profit as a result of this adjustment

8. Proposed Dividend

Under GAAP, dividends proposed by the board of directors after the balance sheet date but before the approval of the financial statements were considered as recognisable events. Accordingly, provision for proposed dividend was recognised as a liability. Under Ind AS, such dividends are recognised when the same is approved by the shareholders in the general meeting. Accordingly, the liability for the interim dividend of 1 April 2015 – Rs.3.47 Crs included under provisions has been reversed correspondingly increasing retained earnings. Consequently, the total equity is increased by an equivalent amount.

9. Excise Duty

Under GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is included in the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31 March 2016 by Rs.60.61 Crs. There is no impact on the total equity and profit.

10. Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in the Statement of Profit and Loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in Statement of Profit and Loss but are shown in the statement of profit and loss as 'other comprehensive income which includes remeasurements of defined benefit plans, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under GAAP.

11. Goodwill

Under GAAP, Goodwill arising on purchase of business was amortised over its useful life. Under Ind AS, Goodwill is to be tested for impairment and no amortisation is permitted. This has resulted in an increase in profit and equity for the year ended 31 March 2016 by Rs.0.28 Crs.

39 RECONCILIATION OF TOTAL EQUITY AS AT MARCH 31, 2016 AND APRIL 1, 2015

Details	March 31, 2016	April 1, 2015
Total equity (shareholder's funds) as per previous GAAP	130.18	111.16
Adjustments		
Fair valuation security deposit	(0.10)	(0.03)
Mark to market (loss) / gain on forward contracts	(0.01)	(0.04)
Transaction Cost impact on borrowing	0.02	0.04
Leasehold Land amortisation	(0.20)	(0.14)
Proposed Dividend including tax	-	3.47
Fair value measurement of investments	(0.70)	(0.77)

Details	March 31, 2016	April 1, 2015
Reversal of amortisation of goodwill	0.28	-
Deferred tax Adjustment on the above impact provided in retained earnings	0.26	0.37
Total adjustments	(0.45)	2.88
Total equity as per Ind AS	129.73	114.04

II) Reconciliation of total comprehensive income for the year ended March 31, 2016

Details	Notes	March 31, 2016
Profit after tax as per previous GAAP		28.64
Adjustments		
Interest income on financial assets	0.07	
Interest expense for long-term borrowings	(0.02)	
Reversal of amortisation of goodwill and accounting of rent SIPCOT operating lease amortisation	0.31	
Remeasurement of employee benefits - Actuarial gain / (loss)	0.51	
Amortisation of deposits on leasehold land	(0.11)	
MTM gain on forward contracts on Fair Value Hedge	0.16	
Increase in deferred tax	(0.18)	
Total adjustments		0.74
Profit after tax as per Ind AS		29.38
Other comprehensive income		(0.47)
Total comprehensive income as per Ind AS		28.91

III) Impact of Ind AS adoption on cash flow statement

Details	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	56.02	1.02	57.04
Net cash flow from investing activities	(46.26)	(1.01)	(47.27)
Net cash flow from financing activities	(24.80)	(0.15)	(24.95)
Net increase/(decrease) in cash and cash equivalents	(15.04)	(0.14)	(15.18)
Cash and cash equivalents as at April 1, 2015	1.00	(0.74)	0.26
Cash and cash equivalents as at March 31, 2016	(14.04)	(0.88)	(14.92)

40. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS UNDER SECTION 186 OF THE COMPANIES ACT, 2013 DURING THE FINANCIAL YEAR 2016-17

Name of Body Corporate	Nature of relationship	Nature of Transaction	Amount (In Crores)
Sundaram Holding USA Inc., Delaware., USA	Subsidiary	Acquisition	24.24

41. Details of "Specified Bank Notes" (SBN) held and transacted during the period from 08.11.2016 to 30.12.2016

Amount in Rs

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing cash in hand as on 08.11.2016	520,000.00	24,498.00	544,498.00
(+) Permitted receipts*	91,000.00	1,103,000.00	1,194,000.00
(-) Permitted payments	-	712,792.00	712,792.00
(-) Amount deposited in Banks	611,000.00	16,600.00	627,600.00
Closing cash in hand as on 30.12.2016	-	398,106.00	398,106.00

* Permitted receipts of SBN includes amount of advances given to employees prior to 8th November 2016 returned

42. Previous years' figures have been regrouped wherever necessary to conform to the current year classification.

H LAKSHMANAN
Chairman

C N PRASAD
Director

Place: Chennai
Date : 17-04-2017

J ASHOK CHAKRAVARTHI
Chief Financial Officer

RAJESH OOMMEN
Chief Executive Officer

As per our report annexed
For SUNDARAM & SRINIVASAN
Chartered Accountants
Firm Registration No: 004207S
M BALASUBRAMANIAM
Partner
Membership No. F 7945
P D DEV KISHAN
Company Secretary

TVS HOUSING LIMITED

Board of Directors

C. MUKUNDHAN
S G MURALI
R CHANDRAMOULI

Auditors

V. SANKAR AIYAR & CO.,
Chartered Accountants,
2 C, Court Chamber
35, New Marine Lines, Mumbai - 400 020

Registered office

Jayalakshmi Estates,
No. 29, Haddows Road,
Chennai - 600 006.
Tel.: 044 2827 2233
Fax : 044 2825 7121
E-mail: corpsec@scl.co.in
CIN : U70101TN2010PLC075027

Directors' Report to the Shareholders

The directors are pleased to present the seventh annual report together with the audited statement of accounts for the year ended 31st March 2017.

Financial highlights

(Rs. in Thousands)

Details	Year ended 31.03.2017	Year ended 31.03.2016
Sales and other income	70,161.25	172,301.65
Less: Expenses	66,439.04	164,962.45
Profit / (Loss) before tax	3,722.21	7,339.20
Less: Provision for taxation (including deferred tax)	1,150.16	5,361.00
Profit / (loss) after tax	2,572.05	1,978.20

Preparation of financial statements under Indian Accounting Standards

Pursuant to the notification issued by the Ministry of Corporate Affairs dated 16th February, 2015 relating to the Companies (Indian Accounting Standard) Rules, 2015, TVS Motor Company Limited (TVSM), the holding company, is required to adopt Indian Accounting Standards ("IND AS") from financial year 2016-17.

In terms of Rule 4(1)(ii) of the aforesaid rules, the holding, subsidiary, joint venture and associate companies are required to comply with IND AS from financial year 2016-17. Accordingly, the financial statements of the Company for the year 2016-17 have been prepared in compliance with the said rules.

Operation Review

In terms of the arrangement entered into with Emerald Haven Realty Limited, for the development of Nedungundram, Chennai project of the Company, Phase 1 was developed as apartments and all the 448 apartments have been sold and customers have taken possession. Phase 2 was launched as villas and row houses and as of 31st March 2017, 98% of the 120 villas and row houses have been sold and customers have taken possession of the same.

Dividend

The directors, in order to conserve the resources for its future business activities, have not proposed any dividend for the year under review.

Internal control systems

The Company has adequate internal control systems to ensure operational efficiency, accuracy and promptness in financial report and compliance of various laws and regulations. The internal control system is supported by the internal audit (IA) process. The IA department evaluates the efficacy and adequacy of Internal control system, its compliance with operating systems and policies of the Company and accounting procedures at all locations of the Company.

The Company has well-documented Standard Operating Procedures (SOPs), policies and procedures for various processes which are periodically reviewed.

Based on the report of IA function, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

Risk management

The Company has in place a mechanism to identify, assess, monitor and minimize various risks to key business objectives. Major risks identified would be systematically addressed through mitigating actions on a continuous basis.

Directors' responsibility statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 (the Act 2013), with respect to Directors' Responsibility Statement, it is hereby stated that -

- in the preparation of the annual accounts for the financial year ended 31st March 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the accounts for the financial year ended 31st March 2017 on a "going concern basis"; and
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Directors liable to retire by rotation

In terms of the Articles of Association of the Company and the applicable provisions of the Act 2013, Mr S G Murali, Mr C Mukundhan and Mr R Chandramouli, directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Number of board meetings held

During the year under review, the board met four times on 20th April 2016, 10th August 2016, 15th November 2016 and 27th January 2017 and the gap between two meetings did not exceed one hundred and twenty days.

Statutory Auditors

The Company at its fourth Annual General Meeting (AGM) held on 11th July 2014 appointed M/s V Sankar Aiyar & Co., Chartered Accountants, Mumbai, having Firm Registration No. 109208W allotted by The Institute of Chartered Accountants of India, as statutory auditors of the Company to hold office for a term of five consecutive years, subject to ratification of their appointment, at every annual general meeting (AGM), at such remuneration in addition to reimbursement of applicable taxes, out of pocket expenses, travelling and other expenses, as may be mutually agreed between the Board of Directors of the Company and the Auditors.

TVS HOUSING LIMITED

It is, therefore, proposed to re-appoint them as statutory auditors from the conclusion of this AGM till the conclusion of the next AGM subject to ratification by the members at the AGM.

The Company has obtained necessary certificate under Section 141 of the Act 2013 read with the Companies (Audit and Auditors) Rules, 2014, conveying their eligibility for being statutory auditors of the Company for the year 2017-18.

Statutory Statements:

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo etc.,

The information do not apply to the Company, as the Company is not a manufacturing Company.

During the year under review, there were no foreign exchange earnings or expenditure in the Company.

Material changes and commitments

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

Significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company

There are no significant and material orders passed by the regulators or courts or tribunals, which would impact the going concern status of the Company.

Annual Return

Extract of Annual Return in the prescribed form is given as Annexure I to this report, in terms of the requirements of Section 134(3)(a) of the Act, 2013 read with the Companies (Accounts) Rules, 2014.

Deposits

The Company has not accepted any deposit from the shareholders and others within the meaning of Chapter V of the Act 2013 read with the Companies (Acceptance of Deposits) Rules, 2014 during the year ended 31st March 2017 and hence the question of furnishing any details relating to deposits covered under Chapter V of the Act 2013 does not arise.

Employee's remuneration

There are no employees on the rolls of the Company, hence there is no disclosure under Section 197(12) of the Act 2013 read with Rule 5(1) and 5(2)

of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Details of loans / guarantees / investments made

As regards the furnishing the details of loans, guarantees and investments made by the Company as per Section 186 of the Act 2013 for the financial year 2016-2017, the Company has not extended any guarantee or has given loans to other companies or made any investment during the year under review.

Related Party Transactions

Pursuant to the provisions of section 134(h) of the Act 2013 read with rule 8(2) of the Companies (Accounts) Rules 2014, furnishing of particulars of contracts or arrangements entered into by the Company with related parties does not arise.

There were no transactions entered into between the Company and the related parties during the year under review and accordingly no particulars are being provided in Form AOC - 2.

However, as required under IND AS, the names of the related party and nature of the related party relationship have been provided in Note No.24 to the financial statements of the Company.

Disclosure in terms of Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013

During the year under review, there were no cases filed pursuant to the provisions of Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act 2013.

Reporting of fraud

The Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Act 2013.

Acknowledgement

The directors gratefully acknowledge the continued support and co-operation received from the holding Company, namely, TVS Motor Company Limited, and bankers for their continued support and assistance.

For and on behalf of the Board

Place : Chennai
Date : 20th April 2017

R CHANDRAMOULI
Director

C MUKUNDHAN
Director

Form No. MGT-9

EXTRACT OF ANNUAL RETURN for the financial year ended 31st March 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- i) CIN : U70101TN2010PLC075027
- ii) Registration Date : 22.03.2010
- iii) Name of the Company : TVS Housing Limited
- iv) Category / Sub-Category of the Company : Public Limited Company- Limited by shares
- v) Address of the Registered office and contact details : "Jayalakshmi Estates", No.29, Haddows Road, Chennai - 600 006
Tel: 044- 28272233
Fax: 044- 28257121
- vi) Whether listed company (Yes / No) : No
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : NA

- (iii) Change in Promoters' Shareholding (please specify, if there is no change): **N.A.**
- (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): **N.A.**
- (v) Shareholding of Directors :

Name of the Director	No. of shares	% of total shares of the Company	Cumulative		Closing Balance	
			No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
S G Murali (Nominee of TVS Motor Company Limited)	1	-	1	-	1	-

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl.No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1.	Developing and subdividing real estate into lots	70105	99.79

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section – Companies Act, 2013
1.	TVS Motor Company Limited (Holding Company) and its six nominees	L35921TN1992PLC022845	Holding Company	100	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

- (i) Category-wise Share Holding: **N.A.**
- (ii) Shareholding of Promoters:

Name of the Shareholders (M/s.)	No. of shares	% of Shareholding
TVS Motor Company Limited (Holding Company) and its six nominees	50,000	100
TOTAL	50,000	100

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment: **NIL**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

- A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**N.A.**
- B. Remuneration to other directors:

(in Rs.)

Sl. No	Particulars of Remuneration	Name of Directors			Total Amount
		S G Murali	C Mukundhan	R Chandramouli	
1.	Directors:Fee for attending board meetings	5,000	20,000	20,000	45,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total	5,000	20,000	20,000	45,000

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD: **N.A.**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: **NIL**

For and on behalf of the Board

Place : Chennai
ate : 20th April 2017

R CHANDRAMOULI
Director

C MUKUNDHAN
Director

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2017

To the Members of TVS Housing Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying Ind AS financial statements of TVS Housing Limited, Chennai ('the Company'), which comprises the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss (Including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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 including other comprehensive income and cash flows and changes in Equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under Section 133 of the Act.
3. 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

4. Our responsibility is to express an opinion on these Ind AS 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 of the Ind AS financial 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 Ind AS financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 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 Ind AS financial statements.
6. 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.

Opinion

7. 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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs of the Company as at 31st March 2017, and its profit (including comprehensive income), its cash flows and changes in equity for the year ended on that date.

Other Matters

8. The comparative financial information of the Company for the year ended 31st March 2016 and the transition date opening balance sheet as at 1st April

2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us and our report for the year ended 31st March 2016 and 31st March 2015 dated 20th April 2016 and 24th April 2015 respectively, expressed an unmodified opinion on those standalone financial statements and have been restated to comply with Ind AS. Adjustments made to the previously issued said statutory financial information for the differences in the accounting principles adopted by the Company on transition to the Ind AS have been audited by us.

Our Opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
10. 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 and the Cash Flow Statement 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 Indian Accounting Standards prescribed under Section 133 of the Act;
 - (e) on the basis of written representations received from the directors as on 31st March 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2017, 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 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 explanations give to us:
 - i. On the basis of the information provided and on the basis of the records verified by us, there are no pending litigations as at 31st March 2017.
 - 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.
 - iv. The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 Vide Note 28.

For V. SANKAR AIYAR & CO.,
Chartered Accountants
ICAI Regn. No.109208W

S. VENKATARAMAN
Partner

Place : Chennai
Date : 20th April, 2017

Membership No. 023116

TVS HOUSING LIMITED

Annexure "A" to Independent Auditors' Report 31st March 2017

(Referred to in our report of even date)

- (i) The Company has no Fixed Assets. Therefore, the provisions of clause (i) of the Para 3 of the Order are not applicable to the Company.
- (ii) The inventories held by Company represent Land. As informed to us, the inventories were physically verified by the management during the year, by way of verification of title deeds, conducting site visits through competent person. In our opinion, the frequency of physical verification is reasonable. There was no material discrepancies noticed during such verification.
- (iii) The company has not granted any loan to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Therefore, the provisions of clause (iii) of the para 3 of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not granted loans, provided guarantee and securities and made investments under section 185 and 186 of the Act. Hence the provisions of clause (iv) of the para 3 of the Order are not applicable to the Company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of clause (v) of the para 3 of the Order are not applicable to the Company.
- (vi) The Central Government has prescribed the maintenance of cost records under section 148 (1) of the Companies Act, 2013. We have broadly reviewed the records maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under the said section and are of opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of these records with a view to determine whether they are accurate or complete.
- (vii) (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues payable including Income Tax, Sales Tax (works contract TDS under Tamil Nadu VAT Act), Service Tax, and Cess and other material statutory dues with the appropriate authorities. We are informed that there is no liability towards Provident Fund, Employees' State Insurance, Value Added Tax, duty of customs and duty of excise for the year under audit. According to the information and explanation given to us, no undisputed amount payable in respect of Income Tax, Sales Tax (works contract TDS under Tamil Nadu VAT Act), Service Tax, and Cess were in arrears as at 31st March 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Services Tax, duty of Customs, duty of Excise and VAT, which have not been deposited on account of any dispute.
- (viii) The Company has not borrowed loan. Hence the provisions of clause (viii) of the para 3 of the Order are not applicable to the Company.
- (ix) The Company has not borrowed loan and Company has not raised monies by way of initial public offer or further public offer (including debt instruments) during the year. Hence the provisions of clause (ix) of the para 3 of the Order are not applicable to the Company.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the Management, no fraud by the Company and no fraud on the company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not paid managerial remuneration as referred to Section 197 of the Act.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and Section 177 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Act are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For V. SANKAR AIYAR & CO.,
Chartered Accountants
ICAI Regn. No.109208W

S. VENKATARAMAN
Partner
Membership No. 023116

Place : Chennai
Date : 20th April, 2017

Annexure “B” to Independent Auditors’ Report 31st March 2017

(Referred to in our report of even date)

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

1. We have audited the internal financial controls over financial reporting TVS Housing Limited, Chennai (“the Company”) as of March 31, 2017 in conjunction with our audit of the IndAS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

2. 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

3. 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.
4. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. 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

7. 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

8. In our opinion, the Company has, in all material respects, an adequate internal financial Control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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 V. SANKAR AIYAR & CO.,
Chartered Accountants
ICAI Regn. No.109208W

Place : Chennai
Date : 20th April, 2017

S. VENKATARAMAN
Partner
Membership No. 023116

TVS HOUSING LIMITED

Balance Sheet as at 31st March 2017

		(Amount in Rs.)		
	Note No.	March 31, 2017	March 31, 2016	April 1, 2015
Assets				
Current assets				
Inventories	2	3,23,71,182	6,88,77,502	16,82,08,739
Financial assets				
i. Cash and cash equivalents	3	34,06,491	1,34,039	50,28,329
ii. Other financial assets	4	-	-	8,414
Current tax assets (Net)	5	62,53,059	95,08,887	63,03,564
Other current assets	6	1,05,02,538	85,93,210	31,540
Total current assets		5,25,33,270	8,71,13,638	17,95,80,586
Total Assets		5,25,33,270	8,71,13,638	17,95,80,586
Equity and Liabilities				
Equity				
Equity share capita	7	5,00,000	5,00,000	5,00,000
Other equity Reserves and surplus	8	74,36,931	48,64,882	28,86,678
Total equity		79,36,931	53,64,882	33,86,678
Liabilities				
Current liabilities				
Financial liabilities				
i. Trade payables	9	9,94,239	13,59,083	1,53,540
ii. Other financial liabilities	10	3,87,77,939	4,12,01,456	14,35,12,008
Other current liabilities	11	48,24,161	3,91,88,217	3,25,28,360
Total current liabilities		4,45,96,339	8,17,48,756	17,61,93,908
Total liabilities		4,45,96,339	8,17,48,756	17,61,93,908
Total equity and liabilities		5,25,33,270	8,71,13,638	17,95,80,586
Significant Accounting Policies	1			

For and on behalf of the board of Directors

As per our report annexed
For V SANKAR AIYAR & CO.,
Chartered Accountants
Firm Registration No. 109208W

C MUKUNDHAN
Director

R CHANDRAMOULI
Director

S VENKATARAMAN
Partner
Membership No. 23116

Chennai
20th April 2017

Statement of Profit and Loss for the year ended 31st March 2017

		(Amount in Rs.)	
	Note No.	March 31, 2017	March 31, 2016
Income			
Revenue from operations	12	7,00,16,997	17,20,22,437
Other income	13	1,44,252	2,79,208
Total income		7,01,61,249	17,23,01,645
Expenses			
Operating Expenses	14	5,13,01,031	13,77,40,111
Other expenses	15	1,51,38,005	2,72,22,330
Total expenses		6,64,39,036	16,49,62,441
Profit before tax		37,22,213	73,39,204
Income tax expense			
Current tax	16	11,50,164	53,61,000
Total tax expense		11,50,164	53,61,000
Profit for the year		25,72,049	19,78,204
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		25,72,049	19,78,204
Earnings per equity share			
Basic & Diluted earnings per share	29	51	40
Significant Accounting Policies	1		

For and on behalf of the board of Directors

As per our report annexed
For V SANKAR AIYAR & CO.,
Chartered Accountants
Firm Registration No. 109208W

C MUKUNDHAN
Director

R CHANDRAMOULI
Director

S VENKATARAMAN
Partner
Membership No. 23116

Chennai
20th April 2017

TVS HOUSING LIMITED

Cash Flow Statement for the period ended 31st March 2017

	(Amount in Rs.)	
	For the Year ended 31.03.2017	For the Year ended 31.03.2016
A. Cash flow from operating activities:		
Net profit before extraordinary items and tax	37,22,213	73,39,204
Add:		
Interest income	(1,44,252)	(2,79,208)
	<u>(1,44,252)</u>	<u>(2,79,208)</u>
Operating profit before working capital changes	35,77,961	70,59,996
Adjustments for:		
Inventories	3,65,06,320	9,93,31,237
Other current assets	32,55,828	-
Loans and advances	(19,09,328)	(2,56,94,316)
Trade payables	(3,64,844)	12,05,543
Other current liabilities	(3,67,87,573)	(7,85,18,049)
	<u>7,00,403</u>	<u>(36,75,585)</u>
Cash generated from operations	42,78,364	33,84,411
Income taxes paid	(10,05,912)	(85,66,323)
Net cash from operating activities	<u>32,72,452</u>	<u>(51,81,912)</u>
B. Cash flow from investing activities:		
Interest received		2,87,622
		<u>2,87,622</u>
Net cash from / (used in) investing activities	<u>-</u>	<u>2,87,622</u>
C. Cash flow from financing activities :		
Net cash from / (used in) financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>32,72,452</u>	<u>(48,94,290)</u>
Cash and cash equivalents at the beginning of the year	<u>1,34,039</u>	<u>50,28,329</u>
Cash and cash equivalents at the end of the year	<u>34,06,491</u>	<u>1,34,039</u>

For and on behalf of the board of Directors

Chennai
20th April 2017

C MUKUNDHAN
Director

R CHANDRAMOULI
Director

As per our report annexed
For V SANKAR AIYAR & CO.,
Chartered Accountants
Firm Registration No. 109208W

S VENKATARAMAN
Partner
Membership No. 23116

TVS HOUSING LIMITED

Statement of Changes in Equity

Equity share capital	Note No.	Number of shares	Equity share capital (par value)- in Rs.
As at 1 April 2015	7	50,000	5,00,000
As at 31 March 2016	7	50,000	5,00,000
As at 31 March 2017	7	50,000	5,00,000

Other Equity

Amount in Rs.

	Note No.	Retained earnings
Balance as at April 1, 2015		28,86,678
Add : Profit for the year ending March 31, 2016	8	19,78,204
Balance as at March 31, 2016		48,64,882
Add : Profit for the year ending March 31, 2017	8	25,72,049
Balance as at March 31, 2017		74,36,931

For and on behalf of the board of Directors

As per our report annexed
For V SANKAR AIYAR & CO.,
Chartered Accountants
Firm Registration No. 109208W

C MUKUNDHAN
Director

R CHANDRAMOULI
Director

S VENKATARAMAN
Partner
Membership No. 23116

Chennai
20th April 2017

Notes

1. COMPANY OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES

a. Brief description of the Company

TVS Housing Limited ('the Company') is a public limited company incorporated and domiciled in India. The registered office is located at "Jayalakshmi Estates", 29, Haddows Road, Nungambakkam, Chennai – 600006, Tamil Nadu, India.

b. Basis of preparation

i) Compliance with Ind AS

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

The financial statements up to year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act.

These financial statements are the first financial statements of the Company under Ind AS. Refer Note 25 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flow.

ii) Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities, where applicable, are measured at fair value.

c. Use of estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. The management believes that these estimates and assumptions are reasonable and prudent. However, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future period.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

d. Operating Cycle

The normal operating cycle in respect of operation relating to real estate project depends on signing of agreement, size of the project, phasing of the project, type of development, project complexities, approvals needed & realization of project into cash & cash equivalents and range from 3 to 7 years.

e. Revenue recognition

i) Revenue from Real Estate:

The revenue from sale of land is recognised on transferring all significant risk and rewards of ownership on land to the buyers and company does not retain any effective control over the same.

Revenue is measured at the fair value of the consideration received or receivable and net of returns, trade allowances and rebates.

ii) Interest income:

Interest income is recognised on time proportion basis, determined by the amount outstanding and the rate applicable.

f. Inventories

Land is valued at the lower of cost and net realisable value. Cost includes cost of acquisition and all related costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

g. Income Tax

Tax expense comprises of current and deferred taxes.

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

The current income tax charge is calculated on the basis of the tax laws enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

TVS HOUSING LIMITED

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

h. Provisions and contingent liabilities

i) Provisions:

A provision is recorded when the Company has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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

ii) Contingent liabilities:

Wherever there is a possible obligation that may, but probably will not require an outflow of resources, the same is disclosed by way of contingent liability. Show cause notices are not considered as Contingent Liabilities unless converted into demand.

i. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Refer Note 21 for segment information presented.

j. Cash and Cash equivalents

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

k. Impairment

The carrying amounts of assets are reviewed at each balance sheet date for indication of any impairment based on internal/external factors. An impairment loss is recognized wherever for carrying amount of the assets

exceeds its recoverable amount. Any such impairment loss is recognized by charging it to the statement of profit and loss. A previously recognized impairment loss is reversed where it no longer exists and the assets are restated to the effect.

l. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

m. Current and Non-current classification

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

Cash or cash equivalent is treated as current, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The normal operating cycle in respect of operation relating to real estate project depends on signing of agreement, size of the project, phasing of the project, type of development, project complexities, approvals needed & realisation of project into cash & cash equivalents and range from 3 to 7 years.

n. Earnings Per Share:

(i) Basic earnings per share:

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- by the weighted average number of equity shares outstanding during the financial year, adjusted for new equity shares issued during the year (note 19)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

Notes to balance sheet

	(Amount in Rs.)			(Amount in Rs.)		
	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015	As at 31-03-2017	As at 31-03-2016	As at 01-04-2015
2 Inventories						
Land held for Development	3,23,71,182	6,88,77,502	16,82,08,739			
Total Inventories	3,23,71,182	6,88,77,502	16,82,08,739			
3 Cash and cash equivalents						
Balances with banks	34,06,491	1,34,039	15,28,329			
Deposits with maturity of less than three months	-	-	35,00,000			
Deposits with maturity of less than three months	34,06,491	1,34,039	50,28,329			
4 Other Financial Assets						
Interest Accrued on deposits	-	-	8,414			
Total Other Financial Assets	-	-	8,414			
5 Current tax assets (Net)						
Opening balance	95,08,887	63,03,564				
Add: Taxes paid net of refund	(21,05,664)	85,66,323				
Less: Current tax payable for the year	(11,50,164)	(53,61,000)				
Closing balance	62,53,059	95,08,887				
6 Other current assets						
Balance with Government authorities	1,04,89,538	75,28,839	18,540			
Advance given to vendor	13,000	10,64,371	13,000			
Total other current assets	1,05,02,538	85,93,210	31,540			
9 Trade payables						
Dues to Micro and Small Enterprises **	-	-	-			
Dues to enterprises other than Micro and Small Enterprises	9,94,239	13,59,083	1,53,540			
Total trade payables	9,94,239	13,59,083	1,53,540			
10 Other financial liabilities						
Payable to related parties	3,87,77,939	4,12,01,456	14,35,12,008			
Total other current financial liabilities	3,87,77,939	4,12,01,456	14,35,12,008			
11 Other current financial liabilities						
Statutory Dues	15,000	7,08,133	15,000			
Income received in advance	48,09,161	3,84,80,084	3,25,13,360			
Total other current liabilities	48,24,161	3,91,88,217	3,25,28,360			

** Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.

TVS HOUSING LIMITED

Notes on accounts

7 SHARE CAPITAL

(a) Authorised, issued, subscribed and fully paid up

(Amount in Rs.)

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Number	Rupees	Number	Rupees	Number	Rupees
Authorised: Equity shares of Rs.10/- each	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000
Issued, subscribed and fully paid up: Equity shares of Rs.10/- each	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000
(ii) Year of allotment - Year ended 31 st March 2016	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000

(b) Reconciliation of equity shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Number	Rupees	Number	Rupees	Number	Rupees
Shares outstanding at the beginning of the year	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000
Shares issued during the year	-	-	-	-	-	-
Shares outstanding at the end of the year	50,000	5,00,000	50,000	5,00,000	50,000	5,00,000

(c) (i) Rights and preferences attached to equity share:

Every shareholder is entitled to such rights as to attend and vote at the meeting of the shareholders, to receive dividends distributed and also has a right in the residual interest of the assets of the company. Every shareholder is also entitled to right of inspection of documents as provided in the Companies Act, 2013.

(ii) There are no restrictions attached to equity shares.

(d) Shares held by holding company at the end of the year

Name of shareholder	Class of share	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
		No. of shares held	% of holding	No. of shares held	% of holding	No. of shares held	% of holding
TVS Motor Company Limited	Equity	50,000	100%	50,000	100%	50,000	100%

8 Notes to Accounts

Reserves and surplus

	Amount in Rs.		
	March 31, 2017	March 31, 2016	April 1, 2015
Retained earnings	74,36,931	48,64,882	28,86,678
Total reserves and surplus	74,36,931	48,64,882	28,86,678

a) Retained earnings

	March 31, 2017	March 31, 2016
Opening balance	48,64,882	28,86,678
Net profit for the period	25,72,049	19,78,204
Closing balance	74,36,931	48,64,882

Notes to Statement of Profit or Loss

12 Revenue from operations

	Amount in Rs.	
	Year ended 31-03-2017	Year ended 31-03-2016
Income from sale of Land	7,00,16,997	17,20,22,437
Total revenue	7,00,16,997	17,20,22,437

13 Other income

Interest income	1,44,252	2,79,208
Total other income	1,44,252	2,79,208

14 Cost of Sales

Inventories at the beginning of the year:		
Land	6,88,77,502	16,82,08,739
Add: Incurred during the year:		
Infrastructure and Development cost	1,47,94,711	3,84,08,874
	8,36,72,213	20,66,17,613
Less: Inventories at the end of the year:	3,23,71,182	6,88,77,502
Cost of Land Sold	5,13,01,031	13,77,40,111

15 Other expenses

Advertisement Expenses	91,60,893	1,77,26,202
Audit Fees	1,50,000	1,50,000
Consultancy and Professional Charges	2,38,522	34,964
Deputation cost	55,70,489	92,31,565
Miscellaneous Expenses	-	494
Rates & Taxes	18,101	79,105
Total other expenses	1,51,38,005	2,72,22,330

16 Income tax expense

(a) Income tax expense

	Amount in Rs.	
	Year ended 31-03-2017	Year ended 31-03-2016
Current tax		
Current tax on profits for the year	11,50,164	53,61,000
Total current tax expense	11,50,164	53,61,000
Total deferred tax expense/(benefit)	-	-
Income tax expense	11,50,164	53,61,000

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

Profit before income tax expense	37,22,213	73,39,204
Tax at the Indian tax rate of 30.90% (2015-2016 – 33.06%)	11,50,164	24,26,341
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deemed Income considered only for tax purpose	-	29,34,659
Income tax expense	11,50,164	53,61,000

Financial instruments and risk management

17 Fair value measurements

Financial instruments by category	Amount in Rs.		
	March 31, 2017 Amortised cost	March 31, 2016 Amortised cost	April 1, 2015 Amortised cost
Financial assets			
Cash and cash equivalents	34,06,491	1,34,039	50,28,329
Others	-	-	8,414
Total financial assets	34,06,491	1,34,039	50,36,743
Financial liabilities			
Trade payables	9,94,239	13,59,083	1,53,540
Payable towards reimbursement of expenses	3,87,77,939	4,12,01,456	-
Total financial liabilities	3,97,72,178	4,25,60,539	1,53,540

The Company has no Financial Assets or Liabilities that are valued at Fair Value through Profit and Loss or Fair Value through Other Comprehensive Income

Valuation processes

The carrying amounts of trade payables, cash and cash equivalents, and other current financial liabilities are considered to be the same as their fair values, due to their short-term nature.

18 Financial risk management

The company's activities expose only to credit risk.

Risk	Exposure arising from	Risk Mitigation
Credit risk	Cash and cash equivalents, financial assets measured at amortised cost.	Surplus cash is deposited only with banks/ financial institutions with high external rating

(A) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

(i) Credit risk management

Credit risk is managed on a company basis. For banks and financial institutions, only high rated banks/ institutions are accepted.

(B) Liquidity risk

(i) Maturities of financial liabilities

The tables below analyse The company's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- a) all non-derivative financial liabilities, and
- b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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

Contractual maturities of financial liabilities:

Particulars	Maturity	Amount in Rs.		
		March 31, 2017	March 31, 2016	April 1, 2015
Trade payables	< than 12 months	9,94,239	13,59,083	1,53,540
Other financial liabilities	< than 12 months	3,87,77,939	4,12,01,456	14,35,12,008

19 Capital management

Risk management

The company's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

20 Operating Segment

(a) Description of segments and principal activities

The Company is primarily engaged in the business of Developing and subdividing real estate into lots. The entity's entire operations are reviewed by Chief operating decision makers as one Operating segment.

(b) Entity Wide disclosures

- i) Company's major service is real estate development
- ii) Company is domiciled and operates within India
- iii) There is no major reliance on a single customer.

21 Contingent liabilities and contingent assets

(a) Contingent liabilities

The Company has no Contingent Liabilities as on date

(b) Contingent assets

The Company has no Contingent Assets as on date

22 Commitments

(a) Capital commitments

Amount in Rs.

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	March 31, 2017	March 31, 2016	April 1, 2015
Property, plant and equipment	Nil	Nil	Nil
Investment property	Nil	Nil	Nil
Intangible assets	Nil	Nil	Nil

23 Additional information – Required to be disclosed under clause 5 (viii) (b):

Particulars	As at 31st March 2017	As at 31st March 2016
a. Expenditure in foreign currency	Nil	Nil
b. Earnings in foreign currency	Nil	Nil

24 Auditors' remuneration (included under other expenses)

Particulars	As at 31st March 2017	As at 31st March 2016
Payments to Auditors as		
a. Statutory Audit	1,00,000	1,00,000
b. Tax Audit	50,000	50,000

25 During the year the company has transferred 1.38 acres (P.Y 3.45) of land to buyers by way of registration of UDS (Undivided Share)/Plots, bringing the total extent of the land to 0.83 acres as on March 2017.

Through MOU entered into on 12th May 2012, the company has appointed Emerald Haven Realty Ltd (EHL) to build and sell houses on their land.

26 In the opinion of the management, the current assets, loans & advances have a value of realisation in ordinary course of business or at least equal to the amount at which they are stated in the balance sheet.

27 Figures of previous year have been regrouped and reclassified, wherever required.

28 Related Party Disclosure

(a) Related parties and their relationship for the financial year 2016-17

Holding company

TVS Motor Company Limited

Sundaram – Clayton Limited, Chennai

Ultimate holding company

T V Sundram Iyengar & Sons Private Limited, Madurai

Fellow subsidiaries

Sundaram Auto Components Limited, Chennai

TVS Motor (Singapore) Pte Limited, Singapore

TVS Motor Company (Europe) B.V, Netherlands

PT. TVS Motor Company Indonesia, Jakarta

Sundaram Business Development Consulting (Shanghai) Co. Ltd, China

Sundaram-Clayton (USA) Limited, USA

Sundaram Holdings USA Inc., USA

Other related parties and their relationship where transaction exists

Associate of Holding Company:

Emerald Haven Realty Limited, Chennai

(b) Transactions with related parties:

	As at/Year ended 31-03-2017	As at/Year ended 31-03-2016	As at/Year ended 01-04-2015
(i) Availing of services			
- Associate of Holding Co.			
Emerald Haven Realty Limited, Chennai	2,25,07,076	5,02,35,709	-

(c) Balances with related parties:

	As at/Year ended 31-03-2017	As at/Year ended 31-03-2016	As at/Year ended 01-04-2015
(i) Other payables			
- Associate of Holding Co.			
Emerald Haven Realty Limited, Chennai	3,87,77,940	4,12,01,456	14,35,12,008

Notes to financial statements

29 Earnings per share

	31 March 2017	31 March, 2016
(a) Basic and diluted earnings per share		
Basic earnings per share attributable to the equity holders of the Company (Rs.)	51.00	40.00
(b) Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share (Rs.)	25,72,049	19,78,204
(d) Weighted average number of equity shares used as the denominator in calculating basic earnings per share	50,000	50,000

30. First-time adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 1 April 2015 (The company's date of transition). In preparing its opening Ind AS balance sheet, the company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS mandatory exceptions

A.1.1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at 1 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. There were no estimates required to be made by the entity in accordance with Ind AS that were not required under previous GAAP.

A.2 Classification and measurement of financial assets :

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that exist at the date of transition to Ind AS

B. Ind-AS Transition Impact

Management has assessed that there are no changes to other equity and total comprehensive income for periods ending April 1, 2015 and March 31, 2016 respectively. Accordingly the reconciliation of equity and total comprehensive income have not been presented as a part of these financial statements.

TVS MOTOR (SINGAPORE) PTE. LIMITED

Directors' Statement

The directors present their statement to the member together with the audited financial statements of TVS MOTOR (SINGAPORE) PTE. LIMITED (the "company") for the financial year ended 31 March 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- the financial statements of the company are drawn up so as to give a true and fair view of the financial position of the company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the company for the year then ended; and
- at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

2. DIRECTORS

The directors of the company in office at the date of this statement are:

Venu Srinivasan
Hari Hara Iyer Lakshmanan
Seenivasan Elayalwar

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the company a party to any arrangement whose object are, or one of whose objects is, to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors who were holding office at the end of the financial year, had no interest in the share capital of the company and related corporations as recorded in the register of directors'

shareholdings required to be kept by the company under Section 164 of the Singapore Companies Act, Chapter 50 except as stated below:

Name of the directors and corporation in which interests are held	Number of ordinary shares of INR 1 each	
	At beginning of year	At end of year
TVS Motor Company Limited (Holding company)		
Venu Srinivasan	2,569,726	2,569,726
Hari Hara Iyer Lakshmanan	55,870	55,870

5. SHARE OPTION

During the financial year, no option to take up unissued shares of the company was granted.

During the financial year, there were no shares of the company issued by virtue of the exercise of options to take up unissued shares.

As at the end of the financial year, there were no unissued shares of the company under option.

6. INDEPENDENT AUDITORS

The independent auditor, Rama & Co., Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Board

VENU SRINIVASAN
Director

HARI HARA IYER LAKSHMANAN
Director

Singapore,
25th April, 2017

Independent Auditors' report to the Member of TVS Motor (Singapore) Pte. Limited

Opinion

We have audited the accompanying financial statements of TVS MOTOR (SINGAPORE) PTE. LIMITED (the "company"), which comprise the statement of financial position of the company as at 31 March 2017, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the company for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the company as at 31 March 2017 and of the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set above.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

Report on Other Legal and Regulatory Requirement

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

RAMA & CO.
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
SINGAPORE

Singapore,
25th April, 2017

TVS MOTOR (SINGAPORE) PTE. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	2017	2016
		S\$	S\$
ASSETS			
Non-current assets			
Investment in associate	(8)	74,697,543	63,967,275
Total non-current asset		74,697,543	63,967,275
Current assets:			
Other receivables	(9)	-	11,090,268
Bank balance	(10)	637,420	257,206
Total current assets		637,420	11,347,474
Total assets		75,334,963	75,314,749
EQUITY AND LIABILITIES			
Capital reserve:			
Share capital	(11)	76,284,702	64,802,445
Accumulated losses		(955,539)	(766,184)
Total equity		75,329,163	64,036,261
Current liabilities:			
Other payables	(12)	5,800	11,278,488
Total current liabilities		5,800	11,278,488
Total equity and liabilities		75,334,963	75,314,749

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017	2016
		S\$	S\$
Revenue		-	-
Other income	(13)	254,152	908,764
Administrative expenses		(15,226)	(20,337)
Finance cost	(14)	(428,281)	(1,056,751)
Loss before income tax		(189,355)	(168,324)
Income tax	(15)	-	-
Loss for the year	(16)	(189,355)	(168,324)
Other comprehensive income		-	-
Total comprehensive loss for the year		(189,355)	(168,324)

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital S\$	Accumulated Losses S\$	Total S\$
Balance as at 1 April 2015	64,364,301	(597,860)	63,766,441
Issuance of shares	438,144	-	438,144
Total comprehensive loss for the year	-	(168,324)	(168,324)
Balance as at 31 March 2016	64,802,445	(766,184)	64,036,261
Issuance of shares (Note no. 11)	11,482,257	-	11,482,257
Total comprehensive loss for the year	-	(189,355)	(189,355)
Balance as at 31 March 2017	76,284,702	(955,539)	75,329,163

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017

	2017 S\$	2016 S\$
Cash flow from operating activities:		
Loss before income tax	(189,355)	(168,324)
Adjustment for:		
Foreign currency exchange difference	(59,133)	-
Interest income	(223,423)	(908,764)
Interest expense	383,597	874,998
Withholding tax	44,684	181,753
Operating loss before working capital changes	(43,630)	(20,337)
Other receivables	-	201,724
Other payables	(450)	(335,353)
Net cash used in operating activities	(44,080)	(153,966)
Investing activities:		
Interest received	583,423	458,764
Withholding tax paid	(44,684)	(91,753)
Net cash from investing activities	538,739	367,011
Financing activities:		
Interest paid	(809,045)	(449,550)
Issuance of shares	694,600	-
Net cash used in financing activities	(114,445)	(449,550)
Net increase/ (decrease) in bank balance	380,214	(236,505)
Bank balance at beginning of year	257,206	493,711
Bank balance at end of year	637,420	257,206

The accompanying accounting policies and explanatory notes form an integral part of these financial statements.

TVS MOTOR (SINGAPORE) PTE. LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

a) Corporate Information

TVS Motor (Singapore) Pte. Limited (the "company") (Registration number: 200301438H) is a private limited company incorporated and domiciled in the Republic of Singapore with its registered office at:

17 Phillip Street #05-01
Grand Building
Singapore 048695

The principal activities of the company are to carry on the business as an investment holding company

b) Authorisation of financial statements for issue

The financial statements of the company for the year ended 31 March 2017 were authorised for issue by the board of Directors on 25 April 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up and in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in the exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purpose, fair value measurements are described in Note 5.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the company's accounting policies. It also requires the use of accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2. Changes in Accounting Policies

a) Adoption of new and revised FRSs and INT FRSs

In the current financial year, the company has adopted all new and revised FRSs and INT FRSs issued by the ASC that are relevant to its operations and effective for annual periods beginning on or after 1 April 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company's accounting policies and has no material effect on the financial statements.

b) Standards issued but not yet effective

At the date of authorisation of financial statements, the following FRSs that are relevant to the company were issued but not effective:

Standard	Description	Effective date (annual periods beginning on or after)
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 109	Financial Instruments	1 January 2018

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

2.3. Functional and Foreign Currency

a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company

operates (the "functional currency"). The financial statements of the company are presented in Singapore dollar, which is also the functional currency of the company.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

2.4. Associate

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2.5. Impairment of Non-financial Assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.6. Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates that have been enacted.

b) Deferred tax

Deferred tax is provided, using the liability method on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax assets are recognised for all deductible temporary differences carry-forward of unutilised tax assets and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unutilised tax assets and unutilised tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction and at the time of transaction affects neither the accounting profit or loss nor taxable profit or loss.

TVS MOTOR (SINGAPORE) PTE. LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (Continued)

The carrying amount of a deferred tax asset is reviewed at the each of reporting period and reduced to the extent that it is not longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.7. Related Parties

A related party is a person or an entity related to the company and is further defined as follows:

- a) A person or a close member of that person's family is related to the company if that person:
 - i) has control or joint control over the company;
 - ii) has significant influence over the company; or
 - iii) is a member of the key management personnel of the company or of a parent of the company.
- b) An entity is related to the company if any of the following conditions applies:
 - i) the entity and the company are members of the same group i.e each parent, subsidiary and fellow subsidiary is related to the others;
 - ii) one entity is an associate or joint venture of the other entity or an associate or joint venture of a member of a group of which the other entity is a member;
 - iii) both entities are joint ventures of the same third party;
 - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company;
 - vi) the entity is controlled or jointly controlled by a person identified in (a);
 - vii) a person identified in (a) i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity; or
 - viii) the entity, or any member of the group of which it is a part, provides key management personnel services to the company or to the parent of the company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the company.

Related party transactions and outstanding balances disclosed in the financial statement are in accordance with the above definition as per FRS 24 – Related Party Disclosures.

2.8. Provisions

Provisions are recognised when the company has present obligations (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.9. Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When changes in the probability of an outflow occur so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the company.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.11. Events after the Reporting Period

Events after the reporting period that provide additional information about the company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

3. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

3.1. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

3.2. Financial assets

Financial assets within the scope of FRS 39 are recognised on the statement of financial position when and only when the Company becomes a party to the contractual provision of the financial instruments. The classification of the financial assets depends on the purpose of which the assets were required.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivable and bank balance are classified within loans and receivables on the statement of financial position.

i) Other receivable

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivable is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

ii) Bank balance

Bank balance comprises cash at bank and is readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (Continued)

that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

c) Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

3.3. Equity and Financial Liabilities

Equity instruments issued by the company and financial liabilities are classified accordingly to the substance of the contractual arrangements entered into and the definitions of an equity instrument and a financial liability.

a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Share capital is classified as equity instruments.

b) Financial liabilities

Other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

c) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respectively carrying amounts is recognised in profit or loss.

3.4. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is legally enforceable right to offset the recognised

amounts and there is an obligation to settle on a net basis, or realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1. Critical Accounting judgements

In the application of the company's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Determination of functional currency

In determining the functional currencies of the company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the company are determined based on management's assessment of the primary economic environment in which the company operates and the company's process of determining sales prices.

4.2. Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Impairment of investment in associate

The company follows the guidance of FRS 36 in determining the recoverability of its investment in associate. This requires assessment as to whether the carrying values of its investment can be supported by the net present values of future cash flows derived from such investment using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement. The company determines forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions, forecasts and other available information. The carrying amount of investment in associate is disclosed in Note 8 to the financial statements.

ii) Impairment of other receivable

The company assesses at the end of the reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of other receivable is disclosed in Note 9 to the financial statements.

TVS MOTOR (SINGAPORE) PTE. LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (Continued)

5. FINANCIAL INSTRUMENTS, FINANCIAL RISKS MANAGEMENT AND CAPITAL MANAGEMENT

5.1. Categories of financial assets and liabilities

The carrying amounts of financial assets and financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2017	2016
	S\$	S\$
Financial assets		
Loans and receivables:		
-Other receivable	-	11,090,268
-Bank balance	637,420	257,206
	<u>637,420</u>	<u>11,347,474</u>
Financial liability		
At amortised cost:		
-Other payables	5,800	11,278,488

5.2. Financial Risks Management Policies and Objectives

The company's overall risk management policy seeks to minimise potential adverse effects on the financial performance of the company. The company, however, does not have any written risk management policies and guidelines. The management meet periodically to analyse, formulate and monitor the following risk management of the company and believe that the financial risks associated with these financial instruments are minimal. The company adopt systematic approach towards risk assessment and management. This is carried out in three phases, i.e. identification and assessment of risks, formulation and implementation of risk treatment, and monitoring and reporting of risk profile.

a) Credit Risk

Credit risk refers to risk that a counterparty will default on its contractual obligations to repay amounts owing to company resulting in a loss to the company. The company's primary exposure to credit risk arises through its bank balance and related party balances. It is the company's policy to enter into transactions with creditworthy customers and high credit rating counter-parties to mitigate any significant credit risk. The company has procedures in place to control credit risk and that exposure to such risk is monitored on an ongoing basis.

As the company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

Financial assets that are neither past due nor impaired

Bank balance that is neither past due nor impaired is mainly deposited with bank with high credit ratings assigned by international credit-rating agencies. Other receivable that is neither past due, nor impaired is substantially company with a good credit record with the company.

Financial assets that are past due and / or impaired

There is no other class of financial assets that is past due and/or impaired.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market interest rate.

The company has bank balance that is non-interest bearing, therefore has no exposure to cash flow interest rate risk.

No interest rate sensitivity analysis is disclosed as the impact of changes in interest rate is not expected to be material.

c) Foreign currency exchange rate risk

Foreign currency exchange rate risk arose from the change in foreign exchange rates that may have an adverse effect on the company in the current reporting period and in the future periods.

The company transacts mainly in Singapore dollar. Foreign currency exchange exposures are naturally hedged as both trade purchases and sales are denominated in the above currency. This natural hedge reduces significantly the financial impact of movements in the foreign currency exchange rates. Management believes that the foreign exchange rate risk is manageable. Hence, the company does not use derivative financial instruments to mitigate this risk.

The company's exposure to foreign currency exchange rate risk in equivalent Singapore dollar is as follows:

In Singapore dollar	2017	2016
	S\$	S\$
Financial asset		
Other receivable	-	11,090,268
Bank balance	637,420	257,206
	<u>637,420</u>	<u>11,347,474</u>
Financial liability		
Other payables	-	11,208,421
Net exposure	<u>637,420</u>	<u>139,053</u>

Sensitivity analysis

A 10% increase or decrease is used when reporting foreign currency exchange rate risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates.

A 10% strengthening of Singapore dollar against the following currency would increase/ (decrease) profit or loss and equity by the amount shown below:

	2017	2016
	S\$	S\$
US \$ impact	<u>63,742</u>	<u>13,905</u>

A 10% weakening of Singapore dollar against the above currency would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

d) Liquidity risk management

Liquidity risk refer to risk that the company will not have sufficient funds to pay its debts as and when they fall due.

In the management of the liquidity risk, the company monitors and maintains a level of bank balances deemed adequate by the management to finance the company's operations and mitigate the effects of fluctuations in cash flows.

The following table summarises the company's remaining contractual maturity for its non-derivative financial liabilities at the end of the reporting period based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the company is expected to pay.

2017	Effective interest rate (%)	Carrying amount	Within 1 year of repayable on demand	
			S\$	S\$
			S\$	Total
Financial liability				
Other payables	-	5,800	5,800	5,800

2016	Effective interest rate (%)	Carrying amount	Within 1 year of repayable on demand	
			S\$	S\$
			S\$	Total
Financial liability				
Other payables	-	11,278,488	11,278,488	11,278,488

e) Fair value of financial assets and financial liabilities

The carrying amounts of other receivable, bank balance and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

TVS MOTOR (SINGAPORE) PTE. LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (Continued)

5.3. Capital Risk Management Policies and Objectives

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The company monitors capital using gearing ratio, which is net debt divided by total capital. Net debt is calculated as other payables less bank balance. Total capital is calculated as equity and net debt. The company's overall strategy remains unchanged during the period.

	2017	2016
	S\$	S\$
Other payables	5,800	11,278,488
Less: Bank balance	(637,420)	(257,206)
Net debts	(631,620)	11,021,282
Total equity	75,329,163	64,036,261
Total capital	74,697,543	75,057,543
Gearing ratio	N.M.	15%

The company is not subject to externally imposed capital requirements.
N.M. – Not meaningful.

6. HOLDING COMPANY

The company is wholly-owned subsidiary of TVS Motor Company Ltd, incorporated in India. The company's ultimate holding company is Sundaram Clayton Limited, incorporated in India. The registered office of the holding company is at 29 (Old No.8) Haddows Road, Chennai 600006, and India.

Some of the company's transactions and arrangements are between members of the company and the effects of these on the basis determined between the parties are reflected in these financial statements.

Significant holding company transactions:

	2017	2016
	S\$	S\$
Interest expenses	383,597	874,998

7. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements.

Significant related party transactions:

	2017	2016
	S\$	S\$
Interest income	223,423	908,764

8. INVESTMENT IN ASSOCIATE

	2017	2016
	S\$	S\$
<u>Unquoted equity shares at cost</u>		
At beginning of the year	63,967,275	-
Addition	10,730,268	63,967,275
At end of the year	74,697,543	63,967,275

Details of the associate are as follows:

Name of associate Country of incorporation	Principal activity	Proportion of ownership Interest	
		2017	2016
P.T.TVS Motor Company Indonesia	Manufacturers of Motorcycles, motorcycles spare parts and accessories	39%	35%

The company did not perform equity accounting of the results of the associate as the holding company will be preparing such financial statements. These financial statements are available for public use. The registered office of the holding company, TVS Motor Company Ltd is at 29 (Old No. 8) Haddows Road, Chennai 600006, India.

9. OTHER RECEIVABLES

	2017	2016
	S\$	S\$
Amount due from associate (Note 9)	-	10,730,268
Interest receivables from associate (Note 9)	-	360,000
	-	11,090,268

The amount due from subsidiary and associate are unsecured and repayable on demand.

The interest is receivable semi-annually on 30th September and 31st March (2016: 30th September and 31st March) of each year and is calculated at 8.25% on a 360 day year basis.

10. BANK BALANCES

	2017	2016
	S\$	S\$
Cash at bank	637,420	257,206

Bank balance is denominated in United States dollar.

11. SHARE CAPITAL

	2017	2016	2017	2016
	Number of ordinary shares		S\$	S\$
<u>Issued and Paid Up:</u>				
At beginning of the year	64,802,445	64,364,301	64,802,445	64,364,301
Issued during the year	11,482,257	438,144	11,482,257	438,144
At the end of the year	76,284,702	64,802,445	76,284,702	64,802,445

During the financial year, the company issued 694,600 ordinary shares at S\$1 per share for cash and the company converted loan from holding company into 10,787,657 ordinary shares at S\$1 per share.

The company has one class of ordinary shares with no par value, which carry one vote per share and carry a right to dividends and when declared by the company.

12. OTHER PAYABLES

	2017	2016
	S\$	S\$
Holding company (Note 6)	-	10,846,790
Interest payables to holding company	-	361,631
Withholding tax payable	-	63,817
Accrued expenses	5,800	6,250
	5,800	11,278,488

The amount due to holding company is unsecured and repayable on demand.

The interest is payable semi-annually on 30th September and 31st March (2016: 30th September and 31st March) of each year and is calculated at 8% per annum.

Other payables are denominated in the following currencies:

	2017	2016
	S\$	S\$
Singapore dollar	5,800	70,067
United States dollar	-	11,208,421
	5,800	11,278,488

13. OTHER INCOME

	2017	2016
	S\$	S\$
Foreign currency exchange gain	30,729	-
Interest income	223,423	908,764
	254,152	908,764

TVS MOTOR (SINGAPORE) PTE. LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017 (Continued)

14. FINANCE COST

	2017	2016
	S\$	S\$
Interest expenses	383,597	874,998
Withholding tax	44,684	181,753
	<u>428,281</u>	<u>1,056,751</u>

15. INCOME TAX

The income tax expense varied from the amount of income tax determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit before income tax as a result of the following differences:

	2017	2016
	S\$	S\$
Loss before income tax	(189,355)	(168,324)
Income tax expense/(benefit) at statutory rate of 17% (2016: 17%)	(32,190)	(28,615)
Income tax effect of:		
- non-taxable items	-	(372)
- unutilised tax losses c/f	32,190	28,987
	<u>-</u>	<u>-</u>

The company has carry forward tax losses available for offsetting against future taxable income as follow:

	2017	2016
	S\$	S\$
Tax losses		
Amount at beginning of year	363,319	192,805
Amount in current year	189,355	170,514
Amount at end of year	552,674	363,319
Deferred tax benefit on above unrecorded	93,955	61,764

The realisation of the future income tax benefits from tax loss carry forward is available for an unlimited period subject to the conditions imposed by law including the retention of majority shareholders as defined.

The deferred tax benefit of the remaining tax loss carried forward has not been recognised in the financial statements because it is not probable that the future taxable profit will be available against which the company can utilise the benefits thereon.

16. LOSS FOR THE YEAR

Loss for the year has been arrived at after (crediting) / charging:

	2017	2016
	S\$	S\$
Foreign currency exchange (gain)/ loss	(30,729)	10,157

17. EVENTS AFTER THE REPORTING PERIOD

No items, transactions or events of material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the company for the succeeding financial year.

DETAILED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	2017	2016
	S\$	S\$
Revenue	-	-
Other income	-	-
Foreign currency exchange gain	30,729	-
Interest income	223,423	908,764
	<u>254,152</u>	<u>908,764</u>
Less: Operating expenses		
Administrative expenses	-	-
Accounting fee	1,200	800
Auditors' remuneration	3,000	3,000
Bank charges	1,314	833
Foreign currency exchange loss	-	10,157
Printing and stationery	345	50
Professional fee	1,900	2,950
Secretarial fees and charges	7,467	2,547
Finance cost	-	-
Interest expense	383,597	874,998
Withholding tax	44,684	181,753
	<u>(443,507)</u>	<u>(1,077,088)</u>
Net loss for the year	<u>(189,355)</u>	<u>(168,324)</u>

This schedule does not form part of the statutory audited financial statements.

**RE-STATED ACCOUNTS OF
TVS MOTOR (SINGAPORE) PTE. LIMITED**

TVS MOTOR (SINGAPORE) PTE. LIMITED

BALANCE SHEET AS AT 31ST MARCH 2017

	Notes	Singapore \$ Mn.	Rupees in crores
		As at 31-03-2017	As at 31-03-2017
I ASSETS			
Non-current assets			
Non-current investments	1	<u>74.70</u>	<u>245.93</u>
		<u>74.70</u>	<u>245.93</u>
Current assets			
Financial assets			
Cash and cash equivalents	2	<u>0.64</u>	<u>2.96</u>
		<u>0.64</u>	<u>2.96</u>
Total Assets		<u>75.34</u>	<u>248.89</u>
II EQUITY AND LIABILITIES			
Equity			
Equity share capital	3	76.28	260.12
Other equity	4	<u>(0.95)</u>	<u>(11.26)</u>
		<u>75.33</u>	<u>248.86</u>
Liabilities			
Current liabilities			
Financial liabilities			
Trade payables	5	<u>0.01</u>	<u>0.03</u>
		<u>0.01</u>	<u>0.03</u>
Total equity and liabilities		<u>75.34</u>	<u>248.89</u>

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	Singapore \$ Mn.	Rupees in crores
		As at 31-03-2017	As at 31-03-2017
I Revenue from operations		-	-
II Other income	6	0.25	1.23
III Total Income (I + II)		<u>0.25</u>	<u>1.23</u>
IV Expenses:			
Finance costs	7	0.43	2.07
Other expenses	8	0.01	0.08
		<u>0.44</u>	<u>2.15</u>
V Profit before exceptional items (III - IV)		(0.19)	(0.92)
VI Exceptional items		-	-
VII Profit before tax (V+ VI)		<u>(0.19)</u>	<u>(0.92)</u>
VIII Tax expense			
i) Current tax		-	-
ii) Deferred tax		-	-
		<u>-</u>	<u>-</u>
IX Profit for the year (VII - VIII)		<u>(0.19)</u>	<u>(0.92)</u>
X Other Comprehensive Income			
A. Items that will not be reclassified to profit or loss			
		-	-
B. Items that will be reclassified to profit or loss			
Foreign currency translation adjustments			
		-	(1.77)
		-	(1.77)
		<u>-</u>	<u>(1.77)</u>
XI Total Comprehensive Income (IX + X)		<u>(0.19)</u>	<u>(2.69)</u>
XII Earnings per equity share (Face value of SGD 1/- each)			
Basic & Diluted earnings per share (in SGD / in rupees)		-	(0.12)

TVS MOTOR (SINGAPORE) PTE. LIMITED

Notes on Accounts

	Singapore \$ Mn.	Rupees in crores
	As at	As at
	31-03-2017	31-03-2017
1 NON-CURRENT INVESTMENTS		
Investment in Equity instruments		
52,24,187 fully paidup equity shares of PT.TVS Motor Company Indonesia (face value of IDR 97,400 each)	74.70	245.93
	<u>74.70</u>	<u>245.93</u>
2 CASH AND CASH EQUIVALENTS		
Balances with banks in current accounts	0.64	2.96
	<u>0.64</u>	<u>2.96</u>
3 EQUITY SHARE CAPITAL		
Issued, subscribed and fully paid up:		
76,284,702 Ordinary shares of SGD 1 each	76.28	260.12
	<u>76.28</u>	<u>260.12</u>
4 OTHER EQUITY		
General reserve	-	-
Retained earnings	(0.95)	(4.48)
Foreign currency translation reserve	-	(6.78)
	<u>(0.95)</u>	<u>(11.26)</u>

Notes on accounts - (continued)

	Singapore \$ Mn.	Rupees in crores
	As at/year ended	As at/year ended
	31-03-2017	31-03-2017
5 TRADE PAYABLES		
Current		
Dues to Micro and Small Enterprises**	-	-
Dues to enterprises other than Micro and Small Enterprises	0.01	0.03
	<u>0.01</u>	<u>0.03</u>
**Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information received by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.		
6 OTHER INCOME		
Interest income	0.25	1.23
	<u>0.25</u>	<u>1.23</u>
7 FINANCE COSTS		
Interest	0.43	2.07
	<u>0.43</u>	<u>2.07</u>
8 OTHER EXPENSES		
(a) Audit fees	-	0.01
(b) Miscellaneous expenses	0.01	0.07
	<u>0.01</u>	<u>0.08</u>

TVS MOTOR COMPANY (EUROPE) B.V.

Address

Hoogoorddreef 15
1101 BA Amsterdam

Chamber of Commerce : Amsterdam
File number : 34.229.984

1. Directors' Report

The management of TVS Motor Company (Europe) B.V. (the "Company") herewith submits its Annual Report for the financial year 1 April 2016 up to and including 31 March 2017 ("the year 2016-2017").

1.1. General

The Company is a private company with limited liability (a wholly-owned subsidiary of TVS Motor Company Ltd, Chennai, India), incorporated under the laws of the Netherlands on 21 July 2005, having its corporate seat at Amsterdam, with offices at Hoogoorddreef 15, Amsterdam.

1.2. Summary of activities

The principal business activities of the Company are holding activities. During the year under review the Company's activities remained holding activities.

During the financial year the major shareholders of the Company's Indonesian subsidiary carried out two capital injections in the subsidiary and converted a loan in shares, which decreased the interest of the Company from 22.78% to 20.22%.

1.3. Results

The net asset value of the Company as per 31 March 2017 amounts to USD 496,592 (31 March 2016: USD 496,592). The result for the year 2016/2017 amounts to a loss of USD 1,739,378 (2015/2016: USD 1,739,378).

1.3. Future outlook

It is the intention to liquidate the Company.

Amsterdam, 29 April 2017.

Mr. R.C. Elshout
Title : Director

Mr. H. Lakshmanan
Title : Director

Mr. P.J. Stegeman
Title : Director

Mr. V.N. Venkatanathan
Title : Director

SGG Management (Netherlands) B.V.
Title : Director

Independent Auditor's Report

To

The Shareholders of TVS Motor Company (Europe) B.V.

A. Report on the audit of the financial statements 2016-2017 included in the annual report

Our opinion

We have audited the financial statements 2016-2017 of TVS Motor Company (Europe) B.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of TVS Motor Company (Europe) B.V. as at 31 March 2017, and of its result for the year 2016-2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 March 2017;
2. the profit and loss account for the year 2016-2017; and
3. the notes comprising summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch Law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of TVS Motor Company (Europe) B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of;

• Other information as required by Part 9 of Book 2 of the Dutch Civil Code
Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements 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.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance,

TVS MOTOR COMPANY (EUROPE) B.V.

which means we may not detect all material errors and fraud during our audit. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion:

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding 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 a company to cease to continue as a going concern;

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amsterdam, June 7, 2017

with kind regards,
Londen & Van Holland
Registeraccountants en Belastingadviseurs

C.J.H. Bijvoet RA

1. BALANCE SHEET AS AT 31 MARCH 2017

(before appropriation of result)

	Notes	31 March 2017		31 March 2016	
		USD	USD	USD	USD
ASSETS					
Fixed Assets	4.1				
Financial fixed assets		4,345,752		-	
			4,345,752		-
Current assets	4.2				
Receivables and prepayments		9,954		11,660	
Cash at bank		437,764		505,970	
			447,718		517,630
Total assets			4,793,470		517,630
SHAREHOLDER'S EQUITY AND LIABILITIES					
Shareholder's equity	4.3				
Paid up share capital		24,086,930		25,650,518	
Foreign currency translation reserve		(1,292,363)		(7,781,972)	
Revaluation reserve subsidiary		4,489,269		4,219,239	
Other reserves		(20,027,605)		(19,851,815)	
Undistributed result		3,513,757		(1,739,378)	
			4,768,988		496,592
Current liabilities	4.4				
Creditors		-		5,504	
Other payable and accrued expenses		24,482		15,534	
			24,482		21,038
Total shareholder's equity and liabilities			4,793,470		517,630

2. INCOME STATEMENT FOR THE PERIOD FROM 1 APRIL 2016 UP TO AND INCLUDING 31 MARCH 2017

	Notes	2016 / 2017		2015 / 2016	
		USD	USD	USD	USD
Salary expenses	5.1	10,468		10,487	
General and administrative expenses	5.2	68,923		44,712	
			(79,391)		(55,199)
Interest income and similar income	5.3	-		3,355	
Interest expense and similar expenses	5.4	(8,230)		(8,575)	
			(8,230)		(5,220)
Result associate	5.5	3,587,113		(1,678,959)	
Result on ordinary activities before taxation		3,499,492		(1,739,378)	
Corporate income tax	5.6	14,265		-	
Result after taxation		3,513,757		(1,739,378)	

3. General notes

3.1. General

The Company is a private company with limited liability (a wholly-owned subsidiary of TVS Motor Company Ltd, Chennai, India), incorporated under the laws of the Netherlands on 21 July 2005, having its corporate seat at Amsterdam, with offices at Hoogoorddreef 15, Amsterdam.

The principal business activities of the Company are holding activities. During the year under review the Company's activities remained holding activities.

Consolidation exemption

The Company qualifies as a so-called "small-sized company" based on the requirements mentioned in article 396, Tital 9 Book 2 of the Netherlands Civil Code and therefore has not prepared consolidated accounts as permitted by Article 407.2 Title 9 Book 2 of the Netherlands Civil Code.

Notes to the cash flow statement

In conformity with the exemption provisions of the Guidelines for Annual Reporting in The Netherlands, a cash flow statement is not presented.

Changes in estimate

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure.

The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed.

Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Foreign currency

The annual accounts are presented in USD being the group reporting currency. The following exchange rates are used:

1 EUR = 1.0691 USD 2015/2016; 1 EUR = 1.13850 USD

1,000 IDR = 0.0751 USD 2015/2016; 1,000 IDR = 0.0758 USD

Going concern

It is the intention of management to liquidate the Company in the coming year. This liquidation will be carried out free of will and management has full intent to pay all her debts. As a consequence, the Company has not made any changes in the applied accounting principles.

The intention to liquidate the Company has resulted in a change of the accounting policies to net realisable value.

3.2. General accounting principles for the preparation of the financial statements

Accounting policies

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise, the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Comparison with previous year

The principles of valuation and determination of the result have changed in comparison with previous year, due to the intention of management to liquidate the Company in the next year. As a consequence, the valuation has changed to net realisable value. This change only has an impact on the valuation of the financial fixed assets.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are converted into USD at the balance sheet date closing rate. Transactions made during the year under review are accounted for at the rate prevailing at the transaction date. The exchange differences are reflected in the financial result for the period.

3.3. Principles of valuation of assets and liabilities

Financial fixed assets

Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as the Company can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired associates are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their

initial recognition as the basis.

The amount by which the carrying amount of the associate has changed since the previous financial statements as a result of the net result achieved by the associate is recognised in the income statement.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the realisable value. An impairment is recognised and charged to the income statement.

Foreign exchange results on net equity of subsidiaries is added to or deducted from the foreign currency translation reserve.

Impairment of non-current assets

On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the realisable value and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

Current receivables

Current receivables are included at face value, less any provision for doubtful accounts. These provisions are determined by individual assessment of the receivables.

Cash at banks and in hand

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities.

Cash at banks and in hand is carried at nominal value.

Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

3.4. Principles for the determination of the result

General

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

Income and expenses

Income and expenses are attributed to the period to which they relate.

Income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

A deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further to a formal decision from the Dutch tax authorities, the Company is allowed to determine its taxable amount in USD.

Share in result of non-consolidated associated companies

Where significant influence is exercised over participations the group's share in the participations' result is recorded in the profit and loss account. This result is determined on the basis of the accounting principles applied by the participation.

4. Notes to the balance sheet as at 31 March 2017

4.1. Fixed assets

4.1.1. Financial fixed assets

During the year under review, the Company continued to hold its investment in PT TVS Motor Company Indonesia, which was established within the framework of the Foreign Capital Investment Law No.1 year 1967 as amended by Law No.11 year 1970 and based on a notarial deed No.21 dated August 8, 2005. The deed of establishment was approved

TVS MOTOR COMPANY (EUROPE) B.V.

by the Minister of Justice and Human Rights of the Republic of Indonesia on September 5, 2005.

During the year 2016-2017 the subsidiary received additional capital stock subscription amounting to USD 15,941,870 (1,594,187 new shares). The company holding in PTTVS remains at 2,870,000 number of shares. Consequent to the increase in total number of shares, the shareholding of TVSM B.V. in PTTVS, Indonesia has reduced from 22.78% (as per 31 March 2016) to 20.22%

The financial statements of the subsidiary show a net asset value as per 31 March 2017 of Rp 298,452,262,571 (31 March 2016: Rp 176,874,943,718). The interest held by the Company corresponds to a net asset value of Rp 57,875,373,438 positive (USD 4,345,752 positive) as at 31 March 2017.

Management intends to sell the share of the subsidiary to a group company against net realisable value. As a consequence the valuation against net realisable value is changed from nihil to actual net realisable value. As per 31 March 2016 valuation against net realisable value was nihil, because of expected losses of the subsidiary in the coming years.

	valuation method	%	31 March 2017	31 March 2016
			USD	USD
PT TVS Motor Company Indonesia	Net asset value	20.22%	4,345,752	-
			<u>4,345,752</u>	<u>-</u>

Movement during the year is specified as follows:

PT TVS Motor Company				
Opening balance			-	-
Result for the period			(1,614,820)	(2,783,423)
Adjustment result previous years due to decrease of participating interest			2,114,663	1,461,906
Foreign exchange result on net equity			489,609	849,669
Revaluation subsidiary			269,030	829,290
			<u>1,258,482</u>	<u>357,442</u>
Impairment loss			-	(357,442)
Reversal impairment losses to Net Asset Value			3,087,270	-
			<u>4,345,752</u>	<u>-</u>

4.2 Current assets

4.2.1 Receivables and prepayments

	31 March 2017	31 March 2016
	USD	USD
Prepaid management fees	9,954	8,102
VAT receivable	-	3,558
	<u>9,954</u>	<u>11,660</u>

4.2.2 Cash at bank

HSBC Bank, EUR current account	23,158	25,759
HSBC Bank, USD current account	414,606	480,211
	<u>437,764</u>	<u>505,970</u>

The cash balances are at free disposal of the Company.

4.3 Shareholder's equity

The authorized share capital of the Company amounts to EUR 50,000,000, divided into 500,000 ordinary shares with a nominal value of EUR 100 each. The issued and paid-up capital amounts to USD 25,650,518 as per 31 March 2017 (EUR 22,530,100).

	31 March 2017	31 March 2016
	USD	USD

Movement during the period can be summarized as follows:

Paid up share capital		
Opening balance	25,650,518	24,240,134
Revaluation of share capital at balance sheet date	(1,563,588)	1,410,384
Balance as at 31 March	<u>24,086,930</u>	<u>25,650,518</u>
Foreign currency translation reserve		
Opening balance	(7,781,972)	(8,631,624)

	31 March 2017	31 March 2016
Revaluation of subsidiary	489,609	849,652
Balance as at 31 March	<u>(7,292,363)</u>	<u>(7,781,972)</u>
Revaluation reserve subsidiary		
Opening balance	4,219,239	-
Revaluation of subsidiary	269,030	4,219,239
Balance as at 31 March	<u>4,488,269</u>	<u>4,219,239</u>
Other reserves		
Opening balance	(19,851,815)	(19,802,235)
Revaluation of share capital at balance sheet date	1,563,588	(1,410,384)
Revaluation of subsidiary	-	(3,389,932)
Appropriation of result	(1,739,378)	4,750,736
Balance as at 31 March	<u>(20,027,605)</u>	<u>(19,851,815)</u>
Undistributed result		
Opening balance	(1,739,378)	4,750,736
Appropriation of result	1,739,378	(4,750,736)
Result for the period	3,513,757	(1,739,378)
Balance as at 31 March	<u>3,513,757</u>	<u>(1,739,378)</u>
Total shareholder's equity	<u>4,768,988</u>	<u>496,592</u>

The revaluation reserve subsidiary concerns the revaluation reserve at the subsidiary representing the increase of land due to revaluation.

4.4 Short-term liabilities

4.4.1 Other payable and accrued expenses

Tax advisory fees	2,138	2,490
Administrative and secretarial services	9,087	-
Audit fees	10,691	10,755
Salary (and salary administration)	2,566	2,289
	<u>24,482</u>	<u>15,534</u>

5. Notes to the income statement for period of 1 April 2016 up to and including 31 March 2017

5.1 Salary expenses

	31 March 2017	31 March 2016
Wages	10,468	10,487
	<u>10,468</u>	<u>10,487</u>

5.2 General and administrative expenses

Domiciliation and management fees	11,420	10,683
Administrative and accounting fees	45,625	21,106
Audit fees	10,790	11,053
Tax advisory fees	984	1,626
Other general expenses	104	244
	<u>68,923</u>	<u>44,712</u>

5.3 Interest income and similar income

Foreign exchange results	-	-
VAT receivable previous year	-	3,355
	<u>-</u>	<u>3,355</u>

5.4 Interest expense and similar expenses

Bank charges	6,866	6,728
Foreign exchange results	1,364	1,847
	<u>8,230</u>	<u>8,575</u>

5.5 Result associate

Result PT TVS Motor Company Indonesia	(1,614,820)	(2,783,423)
Adjustment result previous periods	2,114,663	1,461,906
Impairment loss	-	(357,442)
Adjustment valuation	3,087,270	-
	<u>3,587,113</u>	<u>(1,678,959)</u>

TVS MOTOR COMPANY (EUROPE) B.V.

5.6 Corporate income tax

	31 March 2017	31 March 2016
	USD	USD
Corporate income tax previous years	(14,265)	-
	<u>(14,265)</u>	<u>-</u>

Director and employees

The Company has five Directors (2015/2016: five) and one employee (2015/2016: one) during the period under review.

Appropriation of the result

The result after tax for the financial year ended 31 March 2017 is included in the item undistributed result in Shareholder's equity (note 4.3).

Appropriation of the result of previous years

The result after tax for the financial year ended 31 March 2016 has been added to the other reserves as adopted in the Annual General Meeting, held on 15 November 2016.

Post-balance sheet date events

Management has taken the decision to liquidate the Company, but this has not yet been formalised by the shareholder. The Company's share in the subsidiary PT TVS Motor Company Indonesia will be sold against net asset value.

6. Supplementary information

Audit

The auditor's report is included on the next page.

Distribution of profits, according to article 22 of the Articles of Association.

The profits shall be at the disposal of the annual general meeting of shareholders. The Company may only make distributions to the shareholders and other entitled persons to the extent that the shareholders' equity exceeds the sum of the paid- and calledup part of the capital. No profit shall be distributed on shares held by the Company itself. Distributions of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.

Amsterdam, 29 April 2017

Mr. R.C. Elshout
Title : Director

Mr. H. Lakshmanan
Title : Director

Mr. P.J. Stegeman
Title : Director

Mr. V.N. Venkatanathan
Title : Director

SCG Management (Netherlands) B.V.
Title : Director

**RE-STATED ACCOUNTS OF
TVS MOTOR COMPANY (EUROPE) B.V.**

TVS MOTOR COMPANY (EUROPE) B.V.

BALANCE SHEET AS AT 31ST MARCH 2017

	Notes	USD in Mn.		Rupees in crores	
		As at 31-03-2017	As at 31-03-2017	As at 31-03-2017	As at 31-03-2017
I ASSETS					
Non-current assets					
Non-Current investments	1	-	-	-	-
Current assets					
Financial assets					
Cash and cash equivalents	2	0.44	2.84		
Other Current assets	3	0.01	0.06		
		0.45	2.90		
Total Assets		0.45	2.90		
II EQUITY AND LIABILITIES					
Equity					
Equity share capital	4	31.06	126.52		
Other equity	5	(30.63)	(123.78)		
		0.43	2.74		
Liabilities					
Current liabilities					
Financial liabilities					
Trade payables	6	0.02	0.16		
		0.02	0.16		
Total equity and liabilities		0.45	2.90		

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	USD in Mn.		Rupees in crores	
		As at 31-03-2017	As at 31-03-2017	As at 31-03-2017	As at 31-03-2017
I Revenue from operations		-	-	-	-
II Other income		-	-	-	-
III Total Income (I+II)		-	-	-	-
IV Expenses:					
Employee benefits expense	7	0.01	0.07		
Finance costs	8	-	0.01		
Other expenses	9	0.06	0.52		
		0.07	0.60		
V Profit before exceptional items,(III - IV)		(0.07)	(0.60)		
VI Exceptional items		-	-		
VII Profit before tax (V+ VI)		(0.07)	(0.60)		
VIII Tax expense					
i) Current tax		(0.01)	(0.10)		
ii) Deferred tax		-	-		
IX Profit for the year (VII - VIII)		(0.06)	(0.50)		
X Other Comprehensive Income					
A. Items that will not be reclassified to profit or loss					
		-	-		
B. Items that will be reclassified to profit or loss					
		-	-		
Foreign currency translation adjustments		-	(0.06)		
		-	(0.06)		
XI Total Comprehensive Income (IX + X)		(0.06)	(0.56)		
XII Earnings per equity share (Face value of EUR 1/- each)					
Basic & Diluted earnings per share (in USD / in rupees)		(0.27)	(22.19)		

TVS MOTOR COMPANY (EUROPE) B.V.

Notes on Accounts

	USD in Mn. Rupees in crores		USD in Mn. Rupees in crores	
	As at 31-03-2017	As at 31-03-2017	As at/yearended 31-03-2017	As at/yearended 31-03-2017
1 NON-CURRENT INVESTMENTS				
Investment in Equity instruments				
28,87,000 fully paidup equity shares of PT.TVS Motor Company Indonesia (face value of IDR 97,400 each)	-	-		
	<u>-</u>	<u>-</u>		
2 CASH AND CASH EQUIVALENTS				
Balances with banks in current accounts	0.44	2.84		
	<u>0.44</u>	<u>2.84</u>		
3 OTHER CURRENT ASSETS				
Prepaid expenses	0.01	0.06		
	<u>0.01</u>	<u>0.06</u>		
4 EQUITY SHARE CAPITAL				
Authorised, issued, subscribed and fully paid up:				
Authorised:				
500,000 Ordinary Shares of EURO 100/- each	66.78	311.64		
Issued, subscribed and fully paid up:				
225,301 Ordinary Shares of EURO 100/- each	31.06	126.52		
	<u>31.06</u>	<u>126.52</u>		
5 OTHER EQUITY				
General reserve	-	-		
Retained earnings	(30.63)	(136.51)		
Foreign currency translation reserve	-	12.73		
	<u>(30.63)</u>	<u>(123.78)</u>		
6 TRADE PAYABLES				
Current				
Dues to Micro and Small Enterprises**	-	-		
Dues to enterprises other than Micro and Small Enterprises	0.02	0.16		
	<u>0.02</u>	<u>0.16</u>		
**Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information received by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.				
7 EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus	0.01	0.07		
	<u>0.01</u>	<u>0.07</u>		
8 FINANCE COSTS				
Interest	-	-		
Others- Exchange fluctuation	-	0.01		
	<u>-</u>	<u>0.01</u>		
9 OTHER EXPENSES				
(a) Audit fees	0.01	0.07		
(b) Miscellaneous expenses	0.05	0.45		
	<u>0.06</u>	<u>0.52</u>		

PT. TVS MOTOR COMPANY INDONESIA

Independent Auditors' Report

No.GA 117 0366 TVS AI

The Stockholders, Board of Commissioners and Directors
PT. TVS Motor Company Indonesia

We have audited the accompanying financial statements of PT. TVS Motor Company Indonesia, which comprise the statement of financial position as of March 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that 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 conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the Circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT. TVS Motor Company Indonesia as of March 31, 2017, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of a matter

We draw your attention to Note 31 to the financial statements which indicates that the Company incurred a total comprehensive loss of Rp 88,122,992,787 during the year ended March 31, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by Rp 101,638,731,851. Further, the Company incurred a deficit of Rp 1,456,000,108,313 as of March 31, 2017, as a result of recurring losses from operations due to significant operating expenses. Management's plans concerning these matters are also discussed in Note 31 to the financial statements.

Our opinion is not modified in respect of these matters.

SATRIO BING ENY & REKA
Alvin Ismanto
License of Public Accountant No. AP. 0556

April 20, 2017

STATEMENT OF FINANCIAL POSITION MARCH 31, 2017

	Notes	March 31, 2017 Rp	March 31, 2016 Rp
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	59,690,186,793	30,984,603,733
Trade accounts receivable	6		
Related party	27	-	3,784,871,568
Third parties - net of allowance for impairment losses of Rp 215,211,854 at March 31, 2017		83,408,858,459	30,632,599,042
Inventories - net of allowance for obsolescence of Rp 1,223,471,848 and Rp 1,435,699,732 at March 31, 2017 and 2016, respectively	7	89,099,780,603	83,655,925,038
Prepaid taxes - current	8	20,566,409,728	34,245,411,429
Advances to suppliers	9	2,319,968,700	3,204,392,667
Other current assets		4,119,463,826	4,106,417,269
Total Current Assets		259,204,668,109	190,614,220,746
NON-CURRENT ASSETS			
Prepaid taxes - noncurrent	8	20,388,281,768	5,930,753,663
Deferred tax assets - net	26	41,789,491,498	67,851,131,734
Property, plant, and equipment - net of accumulated depreciation of Rp 156,138,473,891 and Rp 140,080,176,455 at March 31, 2017 and 2016, respectively	10	420,707,978,399	415,357,873,545
Security deposits		1,113,503,257	1,087,823,637
Deferred charges - net of accumulated amortization of Rp 139,932,322,265 and Rp 138,277,605,557 at March 31, 2017 and 2016, respectively	11,27	-	1,654,716,708
Total Noncurrent Assets		483,999,254,922	491,882,299,287
TOTAL ASSETS		743,203,923,031	682,496,520,033

See accompanying notes to financial statements which are an integral part of the financial statements.

PT. TVS MOTOR COMPANY INDONESIA

STATEMENT OF FINANCIAL POSITION MARCH 31, 2017 (Continued)

	Notes	March 31, 2017 Rp	March 31, 2016 Rp
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Bank loans	12	262,272,221,743	227,428,259,294
Trade accounts payable	13		
Related party	27	22,294,951,675	55,859,568,551
Third parties		17,555,559,816	14,705,364,375
Other accounts payable	14		
Related party	27	2,256,798,416	1,491,934,802
Third parties		7,123,896,629	4,623,177,571
Taxes payable	15	514,408,910	622,552,405
Accrued expenses	16	17,884,427,398	22,358,888,326
Current maturities of loan from a financial institution	17	29,117,428,150	28,941,680,000
Advances from customers		1,823,707,223	773,352,615
Total Current Liabilities		360,843,399,960	356,804,777,939
NON-CURRENT LIABILITIES			
Bank loans - net of current maturities	12	66,611,660,500	-
Loan from a financial institution - net of current maturities	17	-	28,978,560,600
Loan from a shareholder	18,27	-	105,436,345,776
Post-employment benefits obligation	19	17,296,600,000	14,401,892,000
Total Non-current Liabilities		83,908,260,500	148,816,798,376
EQUITY			
Capital stock - Rp 97,400 (US\$ 10) par value per share			
Authorized - 15,000,000 shares			
Subscribed and paid-up - 14,191,187 ordinary shares at March 31, 2017 and 12,597,000 ordinary shares at March 31, 2016	20	1,382,221,613,800	1,226,947,800,000
Foreign exchange rate difference on paid-in capital	21	104,713,517,840	50,287,020,000
Revaluation surplus	22	262,112,214,244	244,396,214,244
Other comprehensive income	19	5,405,025,000	4,863,471,750
Deficit		(1,456,000,108,313)	(1,349,619,562,276)
Total Equity		298,452,262,571	176,874,943,718
TOTAL LIABILITIES AND EQUITY		743,203,923,031	682,496,520,033

See accompanying notes to financial statements which are an integral part of the financial statements.

PT. TVS MOTOR COMPANY INDONESIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended March 31, 2017

	Notes	2017 Rp	2016 Rp
NET SALES	23,27	293,661,224,185	179,981,018,040
COST OF GOODS SOLD	24,27	(284,959,506,392)	(210,814,920,461)
GROSS PROFIT (LOSS)		8,701,717,793	(30,833,902,421)
Marketing	25	(13,429,034,793)	(16,726,306,485)
General and administrative	25,27	(49,810,461,086)	(60,997,898,871)
Finance cost		(27,365,215,278)	(34,390,587,577)
Gain (loss) on foreign exchange - net		774,379,413	(10,566,923,090)
Interest income		546,305,474	481,373,000
Loss on sale and disposal of property, plant and equipment	10	(3,196,173)	(1,588,690)
Others - net		86,081,099	3,195,391,104
LOSS BEFORE TAX		(80,499,423,551)	(149,840,443,030)
INCOME TAX EXPENSE	26	(25,881,122,486)	(20,149,698,140)
LOSS FOR THE YEAR		(106,380,546,037)	(169,990,141,170)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus	22	17,716,000,000	49,134,136,700
Remeasurement of defined benefits obligation	19	722,071,000	3,432,268,000
Related tax expense	26	(180,517,750)	(858,067,000)
Total Other Comprehensive Income, net of tax		18,257,553,250	51,708,337,700
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(88,122,992,787)	(118,281,803,470)

See accompanying notes to financial statements which are an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

	Notes	Capital Stock Rp	Foreign exchange rate difference on paid-in capital Rp	Other comprehensive income			Total Equity Rp
				Revaluation Surplus Rp	Remeasurement of defined benefits obligation Rp	Deficit Rp	
Balance as of April 1, 2015		1,129,547,800,000	9,911,020,000	195,262,077,544	2,289,270,750	(1,179,629,421,106)	157,380,747,188
Issuance of shares	20,21	97,400,000,000	40,376,000,000	-	-	-	137,776,000,000
Other comprehensive income							
Revaluation surplus	22	-	-	49,134,136,700	-	-	49,134,136,700
Actuarial gains on defined benefits obligation, net of tax		-	-	-	2,574,201,000	-	2,574,201,000
Loss for the year		-	-	-	-	(169,990,141,170)	(169,990,141,170)
Balance as of March 31, 2016		1,226,947,800,000	50,287,020,000	244,396,214,244	4,863,471,750	(1,349,619,562,276)	176,874,943,718
Issuance of shares	18,20,21	155,273,813,800	54,426,497,840	-	-	-	209,700,311,640
Other comprehensive income							
Revaluation surplus	22	-	-	17,716,000,000	-	-	17,716,000,000
Actuarial gain on defined benefits obligation, net of tax		-	-	-	541,553,250	-	541,553,250
Loss for the year		-	-	-	-	(106,380,546,037)	(106,380,546,037)
Balance as of March 31, 2017		1,382,221,613,800	104,713,517,840	262,112,214,244	5,405,025,000	(1,456,000,108,313)	298,452,282,571

See accompanying notes to financial statements which are an integral part of the financial statements.

STATEMENT OF CASH FLOWS For the year ended March 31, 2017

	2017 Rp	2016 Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax per statement of profit or loss and other comprehensive income	(80,499,423,551)	(149,840,443,030)
Adjustments for:		
Amortization of deferred charges	1,654,716,708	4,964,150,124
Interest and finance charges	27,365,215,278	34,390,587,577
Depreciation of property, plant and equipment	16,245,792,964	16,296,202,415
Loss on disposal of property, plant and equipment	3,196,173	1,588,690
Provision for employee benefits expense	3,625,524,000	3,034,110,000
Provision of allowance for inventory obsolescence	1,094,090,848	984,061,769
Provision for allowance for impairment losses	215,211,854	-
Interest income	(546,305,474)	(481,373,000)
Net unrealized loss on foreign exchange	88,364,481	8,500,241,660
Operating cash flows before changes in working capital	(30,753,616,719)	(82,150,873,795)
Changes in working capital:		
Trade accounts receivable	(49,089,307,923)	(7,695,504,826)
Inventories	(6,537,946,413)	(1,954,593,938)
Prepaid taxes	(20,162,819,166)	(12,264,451,036)
Advances to suppliers	884,423,967	(312,628,152)
Other current assets	1,014,353	964,127,819
Trade accounts payable	(30,659,478,409)	(544,118,103)
Other accounts payable	3,252,334,537	(1,080,194,837)
Taxes payable	(108,143,495)	(1,904,948,336)
Accrued expenses	(466,720,698)	(6,758,043,061)
Advances from customer	1,050,354,608	452,686,483
Cash used in operations	(132,589,905,358)	(113,248,541,782)
Income tax paid	(467,640,000)	(1,002,923,372)
Employee benefits paid	(8,745,000)	(95,201,000)
Proceeds from tax refund	19,851,932,762	1,147,544,284
Net Cash Used in Operating Activities	(113,214,357,596)	(113,199,121,870)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in security deposits	(24,877,945)	43,015,537
Interest received	532,244,564	491,845,882
Acquisitions of property, plant and equipment	(3,883,093,991)	(5,206,738,754)
Proceeds from sale disposal of property, plant and equipment	-	2,927,328
Net Cash Used in Investing Activities	(3,375,727,372)	(4,642,050,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock issuance	105,090,000,000	137,776,000,000
Proceeds from bank loans	171,457,871,986	503,661,480,813
Payments of bank loans	(70,807,877,395)	(439,457,233,437)
Payments of loan from a financial institution	(28,915,018,600)	(55,842,753,960)
Interest and finance charges paid	(31,372,955,508)	(25,095,836,989)
Net Cash Provided by Financing Activities	145,452,020,483	121,041,656,427
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,861,935,515	3,200,484,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,984,603,733	27,449,296,143
Effect of foreign exchange rate changes	(156,352,455)	334,823,040
CASH AND CASH EQUIVALENTS AT END OF YEAR	59,690,186,793	30,984,603,733

See accompanying notes to financial statements which are an integral part of the financial statements.

PT. TVS MOTOR COMPANY INDONESIA

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended

1. GENERAL

PT. TVS Motor Company Indonesia (the "Company") was established within the framework of the Foreign Capital Investment Law No. 1 year 1967 as amended by Law No. 11 year 1970 based on notarial deed No. 21 dated August 8, 2005 of Siti Rayhana, S.H., substitute of Bandoro Raden Ayu Mahyastoeti Notonagoro, S.H., notary in Jakarta. The Deed of Establishment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decision Letter No. C-24361 HT.01.01.TH.2005 dated September 5, 2005. The Company's Articles of Association have been amended several times, most recently by notarial deed No. 51 dated February 22, 2017 of Susana Tanu, S.H., notary in Jakarta, regarding the issuance of shares and increase in the Company's subscribed and paid-up capital which was acknowledged by the Minister of Law and Human Rights of the Republic of Indonesia in his Notification Letter No. AHU-AH.01.03-0081513 dated February 23, 2017

In accordance with article 3 of the Company's Articles of Association, the scope of its activities include production of motorcycles, motorcycle component parts and accessories, three wheelers and its components. The Company started commercial operations on April 29, 2007.

The Company is domiciled in Jakarta and its head office is located at Wirusaha Building, 3rd Floor, Jl. HR. Rasuna Said, Kav. C5 Kuningan, Jakarta. As of March 31, 2017 and 2016, the Company has 354 and 325 employees, respectively.

The Company's management as of March 31, 2017 consists of the following:

President Commissioner	: Kunnath Narayanan Radhakrishnan
Commissioners	: Rangaswami Ramakrishnan
	: Ramaswamy Anandakrishnan
Director	: Venkataraman Thiagarajan

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ("PSAK") AND INTERPRETATION OF PSAK ("ISAK")

a. Standard, amendments to standards and interpretation effective in the current year

In the current year, the Company has applied a new standard, a number of amendments, and an interpretation to PSAK issued by the Financial Accounting Standard Board of the Indonesian Institute of Accountants that are relevant to its operations and effective for accounting period beginning on January 1, 2016.

The application of the following amendments and interpretation to standards have not resulted to material impact to disclosures or on the amounts recognized in the current and prior year financial statements:

- Amendments to PSAK 7, Related Party Disclosures
- Amendments to PSAK 16, Property, Plant and Equipment
- Amendments to PSAK 19, Intangible Assets
- Amendments to PSAK 24, Employee Benefits
- Amendments to PSAK 68, Fair Value Measurement

b. Standards, amendments to standards and interpretations issued but not yet adopted

New amendments and interpretation effective for periods beginning on or after January 1, 2017, with early application permitted are as follows:

- Amendments to PSAK 1, Presentation of Financial Statements about Disclosure Initiative
- ISAK 31, Scope Interpretation of PSAK 13: Investment Property

The standard and amendment to standard effective for periods beginning on or after January 1, 2018, with early application permitted are as follows:

- PSAK 69, Agriculture
- Amendments to PSAK 16, Property, Plant and Equipment

As of the issuance date of the financial statements, the effect of adoption of these amendments and interpretations on the financial statements is not known or reasonably estimable by management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

The financial statements have been prepared in accordance with Indonesian Financial Accounting Standards.

b. Basis of Presentation

The financial statements, except for the statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the financial statements is the Indonesia Rupiah (Rp), while the measurement basis used is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The statements of cash flows are prepared using the indirect method with classifications of cash flows into operating, investing and financing activities.

c. Foreign Currency Transactions and Balances

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise

d. Transactions with Related Parties

A related party is a person or entity that is related to the Company (the reporting entity):

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to the reporting entity if any of the following condition applies:
 - The entity, and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity, or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

e. Financial Assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value plus transaction costs.

The Company's financial assets are classified as loans and receivables.

Loans and receivables

Cash and cash equivalents except for cash on hand, trade accounts receivable, other current assets and security deposits that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less impairment. Interest is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended (Continued)

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each reporting date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

f. Financial Liabilities and Equity Instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, which include trade and other payables, bank loans, accrued expenses, loan from a financial institution and from a shareholder are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

g. Netting of Financial Assets and Financial Liabilities

The Company only offsets financial assets and liabilities and present the net amount in the statement of financial position where the Company:

- currently has a legal enforceable right to set off the recognized amount; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h. Cash and Cash Equivalents

For cash flow presentation purposes, cash and cash equivalents consist of cash on hand, in banks and all unrestricted investments with maturities of three months or less from the date of placement.

i. Inventories

Inventories are stated at cost or net realizable value, whichever is lower. Cost is determined using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

k. Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes, are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	20
Machinery and tools	4 - 10
Office equipment and furnitures	4
Vehicles	5

Moulds and dies are depreciated based on units of production of 150,000 units in 2017 and 2016.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Land is not depreciated and starting April 1, 2013, land is stated in the statement of financial position at its revalued amount, being the fair value at the date of the revaluation. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting date.

Any revaluation increase arising on the revaluation of land is credited in other comprehensive income and accumulated in equity and presented as revaluation surplus, under other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation land is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, plant and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is reflected in the current operations.

i. Impairment of Non-Financial Assets

At reporting dates, the Company reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the non-financial asset (cash generating unit) is less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized immediately against earnings.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended (Continued)

m. Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

n. Deferred Charges

Expenses related to product development are deferred and amortized using the straight-line method over 36 months.

o. After Sales Warranty

The Company makes a provision to cover possible cost on after sales warranty granted to customers. Such provision is recognized based on certain percentage of sales.

p. Revenue and Expense Recognition

Sale of Goods

Revenue from sales of goods is recognized when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest Revenue

Interest revenue is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

Expenses

Expenses are recognized when incurred.

q. Post-Employment Benefits

The Company established defined benefit pension plan covering all the local permanent employees. In addition, the Company also provides post-employment benefits as required under Labor Law No. 13/2003 (the "Labor Law").

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected as a separate item under other comprehensive income in equity and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit in the Company's defined benefit plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

r. Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current tax expense is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of profit or loss.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle its current tax assets and current tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In the application of the Company accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

In the process of applying the accounting policies described in Note 3, management has not made any critical judgment that has significant impact on the amounts recognized in the financial statements, apart from those involving estimates, which are dealt with below.

Key Sources of Estimation Uncertainty

The key assumptions concerning future and other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment Loss on Loans and Receivables

The Company assesses their loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, management makes judgment as to whether there is an objective evidence that loss event has occurred. Management also makes judgment as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss. The carrying amount of loans and receivables are disclosed in Notes 5 and 6.

Allowance for Decline in Value of Inventories

The Company provides allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the

PT. TVS MOTOR COMPANY INDONESIA

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended (Continued)

allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will impact the result of the Company's operations. The carrying amount of inventories is disclosed in Note 7.

Estimated Useful Lives of Property, Plant and Equipment and Deferred Charges

The useful life of each item of the Company's property, plant and equipment and product development costs are estimated based on the period over which the asset is expected to be available for use, or the period over which benefits are expected to be realized. Such estimation is based on internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amounts of property, plant and equipment and deferred charges are disclosed in Notes 10 and 11, respectively.

Realization of Deferred Tax Assets

The Company recognizes deferred tax assets on deductible temporary differences and fiscal loss carry forwards to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal loss can be utilized.

In assessing whether deferred tax assets should be recognized, management makes judgement as to the assumptions used in estimating future taxable income. Any significant changes in the assumptions may materially affect the amount of deferred tax assets and ultimately will have an impact on its results of operations. The carrying amount of deferred tax assets - net is disclosed in Note 26.

Income Taxes

The Company is exposed to assessments on its income taxes and significant judgment is involved in determining the provision for income taxes. In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the prepaid taxes, taxes payable and deferred tax assets (net of deferred tax liabilities) at the end of the reporting period are discussed in Notes 8, 15 and 26.

Fair Value of Land

Effective April 1, 2013, the Company's land is measured at fair value. In estimating the fair value of land, management engages third party qualified appraisal to perform the valuation. Management works closely with the qualified external appraisal to establish the appropriate valuation techniques and inputs. Any changes in the inputs and valuation techniques may have a material effect in the financial statements.

As of March 31, 2017 and 2016, the carrying value of land amounted to Rp 289,779,000,000 and Rp 272,063,000,000 and, respectively (Note 10).

5. CASH AND CASH EQUIVALENTS

	March 31, 2017	March 31, 2016
	Rp	Rp
Cash on hand	115,338,135	133,334,957
Cash in banks		
Rupiah		
Bank Danamon Indonesia	1,366,289,306	365,854,370
Bank Mandiri	219,229,577	244,993,479
Bank Ina Perdana	163,972,435	117,167,240
Bank SBI Indonesia	60,215,353	151,761,895
Bank DBS Indonesia	59,650,357	56,332,971
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	-	143,516,391
Subtotal	<u>1,869,357,028</u>	<u>1,079,626,346</u>
U.S. Dollar		
Bank DBS Indonesia	10,929,507,246	904,046,744
Bank Danamon Indonesia	7,991,262,305	5,236,823,475
Bank SBI Indonesia	6,951,022,351	3,455,543,129
Bank Mandiri	6,931,501,358	92,421,538
Deutsche Bank	159,506,586	-
The Hongkong and Shanghai Banking Corporation Limited, Jakarta	-	106,807,544
Subtotal	<u>32,962,799,846</u>	<u>9,795,642,430</u>
Total	<u>34,832,156,874</u>	<u>10,875,268,776</u>

	March 31, 2017	March 31, 2016
	Rp	Rp
Time deposits		
Rupiah		
Bank Ina Perdana	6,421,691,784	6,700,000,000
Bank SBI Indonesia	5,000,000,000	-
U.S. Dollar		
Bank SBI Indonesia	13,321,000,000	13,276,000,000
Subtotal	<u>24,742,691,784</u>	<u>19,976,000,000</u>
Total	<u>59,690,186,793</u>	<u>30,984,603,733</u>
Interest rate per annum:		
Rupiah	7.5% - 8.0%	8.0% - 9.75%
U.S. Dollar	1.5%	1.75% - 2.5%

6. TRADE ACCOUNTS RECEIVABLE

a. By debtor

Related party - TVS Motor Company Limited, India (Note 27)	-	3,784,871,568
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Third parties

Stargold Motorcycle Co	23,756,917,573	6,141,942,260
PT Gamma Sakti Indonesia	21,007,486,982	-
Agrocorp International Pte Ltd	20,975,247,685	18,318,339,718
Kosambh Multitred Private Ltd	8,748,102,646	-
PT Motormart Multi Artha	2,689,906,947	589,999,145
PT Simpura Motor Lestari	1,872,191,799	886,455,445
YAP Global	673,119,119	-
OKI General Trading LLC	-	1,529,926,240
Sunshine (Far East) Ltd - Guinea	-	1,416,858,000
Others (Below Rp 500,000,000 each)	<u>3,901,097,562</u>	<u>1,749,078,234</u>
Subtotal	83,624,070,313	30,632,599,042
Allowance for impairment losses	(215,211,854)	-
Subtotal	83,408,858,459	30,632,599,042
Net	83,408,858,459	34,417,470,610

b. By age category

Not yet due	38,359,350,243	21,373,154,157
Past due		
1 - 30 days	11,157,808,652	9,968,792,415
31 - 60 days	15,737,141,948	320,782,977
61 - 90 days	2,286,174,529	401,726,167
91 - 120 days	2,093,417,275	-
121 - 180 days	6,736,722,396	120,849,453
Over 181 days	<u>7,253,455,270</u>	<u>2,232,165,441</u>
Subtotal	83,624,070,313	34,417,470,610
Allowance for impairment losses	(215,211,854)	-
Total	83,408,858,459	34,417,470,610

c. By currency

Singapore Dollar	19,956,059,707	16,562,827,686
US Dollar	34,720,969,234	14,661,831,722
Rupiah	<u>28,947,041,372</u>	<u>3,192,811,202</u>
Subtotal	83,624,070,313	34,417,470,610
Allowance for impairment losses	(215,211,854)	-
Total	83,408,858,459	34,417,470,610

The changes in allowance for impairment losses are as follows:

Beginning balance	-	582,399,879
Provision during the year (Note 25)	215,211,854	-
Write off during the year	-	(582,399,879)
Ending Balance	<u>215,211,854</u>	<u>-</u>

The average credit period on sales of goods is 45 days. Interest of 2% per month is charged on 2 wheeler domestic trade account receivables that are past due over 45 days from the date of the invoice.

PT. TVS MOTOR COMPANY INDONESIA

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended (Continued)

Included in the Company's trade accounts receivable are past due but not impaired receivables with carrying amounts of Rp 45,049,508,216 and Rp 13,044,316,453 as of March 31, 2017 and 2016, respectively.

Allowance for impairment losses are recognized against trade accounts receivable that are current and past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As of March 31, 2017, an allowance for impairment losses of Rp 215,211,854 was provided. No allowance for impairment losses was provided as of March 31, 2016 as there has not been a significant change in credit quality and the amounts are still recoverable.

Management believes that the allowance for impairment losses on trade accounts receivable from third parties is adequate to cover possible losses on uncollectible accounts.

Trade accounts receivable are used as collateral for a bank loan (Note 12).

7. INVENTORIES

	March 31, 2017 Rp	March 31, 2016 Rp
Finished goods	4,893,211,361	5,295,639,033
Materials, components and spare parts	85,051,138,663	79,478,239,773
Others	378,902,427	317,745,964
Total	90,323,252,451	85,091,624,770
Allowance for inventory obsolescence	(1,223,471,848)	(1,435,699,732)
Net	89,099,780,603	83,655,925,038

The change in allowance for inventory obsolescence is as follows:

	March 31, 2017 Rp	March 31, 2016 Rp
Beginning balance	1,435,699,732	1,959,536,813
Provision during the year	1,094,090,848	984,061,769
Write-off during the year	(1,306,318,732)	(1,507,898,850)
Ending Balance	1,223,471,848	1,435,699,732

Management believes that allowance for inventory obsolescence is adequate.

All inventories are insured with total coverage of US\$ 7,000,000 and Rp 7,500,000,000 as of March 31, 2017 and US\$ 7,000,000 as of March 31, 2016 to PT Asuransi Multi Artha Guna Tbk., PT Asuransi FPG Indonesia, and PT Chubb General Insurance Indonesia.

Inventories are used as collateral for a bank loan (Note 12).

8. PREPAID TAXES

	March 31, 2017 Rp	March 31, 2016 Rp
Income tax (Note 26)	1,789,788,372	1,322,148,372
Value added tax (VAT)		
2017	20,388,281,768	-
2016	12,845,867,693	12,977,198,965
2014	-	19,946,064,092
2008	5,930,753,663	5,930,753,663
Total	40,954,691,496	40,176,165,092
Claims for VAT refund - noncurrent portion	(20,388,281,768)	(5,930,753,663)
Current portion	20,566,409,728	34,245,411,429

On December 8, 2016, based on the Supreme Court's order No. 1546/B/PK/PJK/2016, the Company shall receive VAT refund along with penalty for Rp 5,930,753,663.

On January 24, 2017, based on the Tax Decision letter No. 055-0010-2017, the Company received Rp 19,851,932,762 out of its total claim of Rp 19,946,064,092. The difference of Rp 94,131,330 was recorded as expense under taxes, permit and license in general and administrative expenses.

As of March, 2017, the objection letters for claims for VAT refund amounting to Rp 20,388,281,768 and Rp 12,388,281,768 are still in progress. Management believes that these claims are recoverable.

9. ADVANCES TO SUPPLIERS

This account represents advances made by the Company to its suppliers for the purchase of raw materials, tools and other components.

10. PROPERTY, PLANT AND EQUIPMENT

	April 1, 2016 Rp	Additions Rp	Deductions Rp	Revaluation Rp	March 31, 2017 Rp
Revalued amount:					
Land	272,063,000,000	-	-	17,716,000,000	289,779,000,000
Cost:					
Buildings	79,942,536,922	207,000,000	-	-	80,149,536,922
Machinery and tools	104,057,259,480	684,573,240	-	-	104,741,832,720

	April 1, 2016 Rp	Additions Rp	Deductions Rp	Revaluation Rp	March 31, 2017 Rp
Moulds and dies	88,595,005,404	2,473,423,401	-	-	91,068,428,805
Office equipment and furnitures	10,000,244,860	518,097,350	190,691,701	-	10,327,650,509
Vehicle	780,003,334	-	-	-	780,003,334
Total	555,438,050,000	3,883,093,991	190,691,701	17,716,000,000	576,846,452,290
Accumulated depreciation:					
Buildings	34,931,936,356	3,997,155,202	-	-	38,929,091,558
Machinery and tools	78,955,777,159	8,923,605,289	-	-	87,879,382,448
Moulds and dies	16,340,356,191	2,870,628,299	-	-	19,210,984,490
Office equipment and furnitures	9,184,777,314	373,278,984	187,495,528	-	9,370,560,770
Vehicle	667,329,435	81,125,190	-	-	748,454,625
Total	140,080,176,455	16,245,792,964	187,495,528	-	156,138,473,891
Net Book Value	415,357,873,545				420,707,978,399

	April 1, 2015 Rp	Additions Rp	Deductions Rp	Revaluation Rp	March 31, 2016 Rp
Revalued amount:					
Land	222,928,863,300	-	-	49,134,136,700	272,063,000,000
Cost:					
Buildings	79,896,536,922	46,000,000	-	-	79,942,536,922
Machinery and tools	103,446,096,730	633,192,750	22,030,000	-	104,057,259,480
Moulds and dies	84,411,023,404	4,183,982,000	-	-	88,595,005,404
Office equipment and furnitures	9,755,282,649	343,564,004	98,601,793	-	10,000,244,860
Vehicle	780,003,334	-	-	-	780,003,334
Total	501,217,806,339	5,206,738,754	120,631,793	49,134,136,700	555,438,050,000
Accumulated depreciation:					
Buildings	30,937,021,532	3,994,914,824	-	-	34,931,936,356
Machinery and tools	69,116,779,201	9,857,385,597	18,387,639	-	78,955,777,159
Moulds and dies	14,337,449,621	2,002,906,570	-	-	16,340,356,191
Office equipment and furnitures	8,896,735,219	359,870,231	70,828,136	-	9,184,777,314
Vehicle	586,204,242	81,125,193	-	-	667,329,435
Total	123,873,189,815	16,296,202,415	89,215,775	-	140,080,176,455
Net Book Value	377,344,616,524				415,357,873,545

Depreciation expense was allocated to the following:

	March 31, 2017 Rp	March 31, 2016 Rp
Manufacturing cost	15,791,388,790	15,855,206,989
General and administrative expenses (Note 25)	454,404,174	440,995,426
Total	16,245,792,964	16,296,202,415

The Company owns a piece of land located in Karawang, Ciampel – Kutanegara, Jawa Barat with a total area of 126,541 square meters as of March 31, 2017 and 2016, with Building Use Rights (HGB) expiring on November 11, 2028. Management believes that there will be no difficulty in the extension of the landrights since the land were acquired legally and supported by sufficient evidence of ownership.

An independent valuation of the Company's land was performed by KJPP Susan Widjojo & Rekan to determine the fair value of the land as of March 31, 2017 and 2016. The valuation which conforms to standards established by the Indonesian Appraisal Association was determined using the market approach.

Property, plant and equipment except land were insured with PT Asuransi Multi Artha Guna Tbk., PT Asuransi FPG Indonesia, and PT Chubb General Insurance Indonesia, against earthquake, fire, lightning, explosion and other possible risks for US\$ 35,000,000 and Rp 7,500,000,000 as of March 31, 2017 and US\$ 31,500,000 as of March 31, 2016. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

	March 31, 2017 Rp	March 31, 2016 Rp
Loss from disposal in 2017 and 2016 are as follows:		
Proceeds	-	29,827,328
Net book value	(3,196,173)	(31,416,018)
Loss on sale and disposal	(3,196,173)	(1,588,690)

11. DEFERRED CHARGES

This account consists of:

Product development	139,932,322,265	139,932,322,265
Accumulated amortization	(139,932,322,265)	(138,277,605,557)
Net	-	1,654,716,708
Movement of accumulated amortization is as follows:		
Beginning balance	138,277,605,557	133,313,455,433
Amortization of product development	1,654,716,708	4,964,150,124
Ending balance	139,932,322,265	138,277,605,557

Amortization expenses for product development are recorded under cost of goods sold (Note 24).

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March 31, 2017 and for the year then ended (Continued)

	March 31, 2017	March 31, 2016
	Rp	Rp
12. BANK LOANS		
Rupiah		
Bank DBS Indonesia	18,678,502,685	20,942,423,825
U.S. Dollar		
Bank SBI Indonesia (US\$ 12,518,739 in 2017 and US\$ 13,697,579 in 2016)	166,762,124,883	181,849,059,202
Deutsche Bank Singapore (US\$ 10,000,000 in 2017)	133,210,000,000	-
Bank DBS Indonesia (US\$ 768,206 in 2017 and US\$ 1,855,738 in 2016)	10,233,254,675	24,636,776,267
Total	328,883,882,243	227,428,259,294
Less : Noncurrent portion	(66,611,660,500)	-
Current portion of bank loan	262,272,221,743	227,428,259,294
The bank loans are repayable as follows:		
Due in the year		
2016	-	227,428,259,294
2017	262,272,221,743	-
2018	44,405,553,500	-
2019	22,206,107,000	-
Total	328,883,882,243	227,428,259,294
Accrued interest	1,691,755,842	1,254,606,322
Total	330,575,638,085	228,682,865,616

Bank DBS Indonesia

In May 2013, the Company obtained the following loan facilities from Bank DBS Indonesia:

- Trade Finance facility for accounts payable financing with a maximum limit of US\$ 2,000,000 which will mature 12 months from agreement date.
- Term loan to finance the procurement of tooling and equipment for new types of scooter with a maximum limit of US\$ 3,000,000 which will mature in February 2017.
- Overdraft to working capital facility with a maximum credit of Rp 15,000,000,000 which will mature 12 months from agreement date.

The Trade Finance Facility and Overdraft Working Capital Facility were extended numerous times, most recently in August 2016 and will mature 12 months from this date. Further, in March 2017, the Trade Finance Facility limit was increased from US\$ 2,000,000 to US\$ 5,000,000. Draw down can also be made in Indonesian Rupiah.

The term loan facility is collateralized by the Company's tooling and equipment with minimum mortgage amount of US\$ 3,000,000. This facility has been fully paid in February 2017.

Interest rate per annum is at 6.50% and 11.00% for USD and IDR denominated loans, respectively.

Interest expense recognized in the statement of profit or loss and other comprehensive income amounted to Rp 3,091,592,445 and Rp 2,015,061,871 in 2017 and 2016, respectively.

The working capital facility is collateralized by the Company's inventories for US\$ 1,000,000 and Rp 7,500,000,000 and trade accounts receivable for US\$ 1,000,000 and Rp 7,500,000,000 and letter of awareness from TVS Motor Company Limited.

The loan facilities requires the Company to maintain certain positive covenants. As of March 31, 2017 and 2016, the Company is compliant to the loan covenants.

Bank SBI Indonesia

The Company obtained a revolving credit facility from Bank SBI Indonesia with a maximum credit limit of US\$ 16,350,000, which is a combination of demand loan, foreign exchange facility and LC facility. The foreign exchange facility has a maximum credit limit of US\$ 500,000. The facility is secured by a Standby Letter of Credit (SBLC) issued by the State Bank of India, CAG, Chennai – India amounting to US\$ 16,000,000. In March 2017, the Company renewed the loan which will be due in March 2018. The loan bears interest rate of 7.50% per annum.

Interest expense recognized in the statement of profit or loss and other comprehensive income amounted to Rp 13,142,248,451 and Rp 9,826,992,865 in 2017 and 2016, respectively.

Deutsche Bank Singapore

On September 23, 2016, the Company obtained a medium term loan of US\$ 10,000,000 from Deutsche Bank Singapore. This loan agreement was executed in September 2016. The loan bears an interest rate of 150 basis points above three months LIBOR (net of withholding tax). The Company drew the first tranche of US\$ 5,000,000 in September 2016 and the second tranche of US\$ 5,000,000 in January 2017.

The loan is based on "Advance Payment and Supply Agreement" between the Company and TVS Motor Company Limited India and is secured over a lien on the collection account with Deutsche Bank, Jakarta.

Interest expense recognized in the statement of profit or loss and other comprehensive income amounted to Rp 1,291,672,712 in 2017.

	March 31, 2017	March 31, 2016
	Rp	Rp
13. TRADE ACCOUNTS PAYABLE		
a. By Creditors		
Related party - TVS Motor Company Limited, India (Note 27)	22,294,951,675	55,859,568,551
Third parties		
PT Setia Guna Sejati	2,040,268,843	3,329,710,099
Chongqing Wangcheng Trading Co.,Ltd	1,999,433,878	-
PT. Gangbaro Putra	1,660,686,760	456,385,200
Daido Indonesia Manufacturing	1,184,615,550	651,568,885
PT Mitrametal Perkasa	1,031,883,313	485,768,591
PT Dharma Polimetal	296,981,707	1,215,075,500
Other (below Rp 1 billion each)	9,341,689,765	8,566,856,100
Subtotal	17,555,559,816	14,705,364,375
Total	39,850,511,491	70,564,932,926
b. By Currency		
Rupiah	23,007,775,314	12,421,448,160
U.S. Dollar	16,842,736,177	58,143,484,766
Total	39,850,511,491	70,564,932,926

14. OTHER ACCOUNTS PAYABLE

Related party - TVS Motor Company Limited, India (Note 27)	2,256,798,416	1,491,934,802
Third parties		
PT Super Sukses Anugerah	1,045,106,708	468,284,020
Talisman Insurance Broker	824,613,580	859,153,518
PT Strategiccomm Indonesia	763,113,099	-
PT Bahana Akurasi Teknologi	492,160,700	-
PT Daekan Indar Indonesia	440,550,000	-
PT Eka Consol Utama Line	59,350,207	467,948,267
CV. Yap Global Motor	7,051,921	307,106,287
Others (below Rp 300,000,000 each)	3,491,950,414	2,520,685,479
Subtotal	7,123,896,629	4,623,177,571
Total	9,380,695,045	6,115,112,373

Other accounts payable to a related party represents bank guarantee charges and information technology service fees in 2017 and 2016.

15. TAXES PAYABLE

Income taxes		
Article 21	309,658,376	489,380,424
Article 26	91,067,909	40,835,480
Article 4(2) Final	63,040,064	48,194,800
Article 23	43,902,571	38,138,309
Article 22	6,739,990	6,003,392
Total	514,408,910	622,552,405

16. ACCRUED EXPENSES

Provision for sales, marketing and warranty expenses	9,178,789,854	9,789,232,501
Interest	1,781,878,364	5,789,618,594
Professional fees	2,243,060,000	2,612,811,225
Employees' social security	276,165,353	377,154,446
Others	4,404,533,827	3,790,071,560
Total	17,884,427,398	22,358,888,326

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March 31, 2017 and for the year then ended (Continued)

17. LOAN FROM A FINANCIAL INSTITUTION

	March 31, 2017	March 31, 2016
	Rp	Rp
US\$ 12 Million IFC loan	29,172,990,533	58,016,120,531
Unamortized transaction costs	(55,562,383)	(95,879,931)
Net loan	29,117,428,150	57,920,240,600
Less current maturities	(29,117,428,150)	(28,941,680,000)
Long-term loans from a financial institution - net	-	28,978,560,600
Loan from a financial institution is repayable as follows:		
Due in the year		
2016	-	28,941,680,000
2017	29,117,428,150	29,074,440,531
Total	29,117,428,150	58,016,120,531
Accrued interest	71,536,122	141,088,360
Total	29,188,964,272	58,157,208,891

On March 19, 2009, the Company entered into a loan agreement with IFC amounting to US\$ 12,000,000. The loan has a term of 9 years, payable semi-annually starting March 15, 2013 and bears a fixed interest rate of 5.52% per annum. This loan is guaranteed by TVS Motor Company Ltd., India. As of March 31, 2017 and 2016, this loan has outstanding principal balance of US\$ 2,190,000 (Rp 29,117,428,150) and US\$ 4,370,000 (Rp 58,016,120,531), respectively.

Interest expense recognized in the statement of profit or loss and other comprehensive income amounted to Rp 2,779,224,339 and Rp 4,935,247,041 in 2017 and 2016, respectively.

The above loans were obtained for the construction and commercial operation of the Company's motor vehicle plant in Jakarta. These loan requires certain negative covenants.

18. LOAN FROM A SHAREHOLDER

On April 10, 2007, the Company obtained a fixed rate long-term credit facility from TVS Motor Company (Europe) B.V., a shareholder of the Company, with maximum credit limit of US\$ 15,000,000 and payable upon maturity. The loan has an initial term of 3 years, bears fixed interest rate of 8.25% per annum, payable on a monthly basis, and can be renewed upon agreement of both parties.

On March 31, 2014, part of this loan amounting to US\$ 8,000,000 was converted to 800,000 Class A shares and the balance of US\$ 7,000,000 together with accrued interest of US\$ 941,876 were assigned by TVS Motor Company (Europe) B.V. to TVS Motor (Singapore) Pte., Limited. The loan bears fixed interest rate of 8.25% per annum and can be renewed upon agreement of both parties. On March 23, 2016, the loan was renewed for another 3 years. The outstanding balance amounted to US\$ 7,941,876 as of March 31, 2016.

On July 1, 2016, the Company and TVS Motor (Singapore) Pte. Limited executed a debt to equity conversion agreement of the entire shareholder's loan amounting to USD 7,941,876, which was converted to 794,187 ordinary shares of the Company (Note 20).

Interest expense recognized in the statement of profit or loss and other comprehensive income amounted to Rp 2,214,333,940 and Rp 9,055,601,100 in 2017 and 2016, respectively

19. POST-EMPLOYMENT BENEFITS OBLIGATION

The Company provides post-employment benefits for its qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits are 254 employees and 252 employees in 2017 and 2016, respectively.

The defined benefit pension plan typically exposes the Company to actuarial risks such as: interest rate risk and salary risk.

Interest risk

A decrease in the bond interest rate will increase the plan liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability

Amounts recognized in the statement of profit or loss and other comprehensive income with respect to these post-employment benefits are as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Service cost:		
Current service cost	2,401,735,000	2,857,431,000
Past service cost and gain from settlements	-	(1,011,133,000)
Interest cost	1,223,789,000	1,187,812,000
Components of defined benefits cost recognised in profit or loss (Note 25)	3,625,524,000	3,034,110,000
Remeasurement on the net defined benefit obligation		
Actuarial gains arising from changes in financial assumptions	(85,033,000)	(2,123,591,000)
Actuarial gains arising from experience adjustments	(637,038,000)	(1,308,677,000)
Components of defined benefit costs recognised in other comprehensive income	(722,071,000)	(3,432,268,000)
Total	2,903,453,000	(398,158,000)

The amounts recognized in statement of financial position arising from the Company's obligation with respect to its post-employment benefits are as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Present value of post-employment benefits obligation	17,296,600,000	14,401,892,000

Changes in the present value of unfunded defined benefits obligations are as follows:

Beginning of the year	14,401,892,000	14,895,251,000
Current service cost	2,401,735,000	2,857,431,000
Interest cost	1,223,789,000	1,187,812,000
Remeasurement:		
Actuarial gains and losses arising from changes in financial assumptions	(85,033,000)	(2,123,591,000)
Actuarial gains and losses arising from experience adjustments	(637,038,000)	(1,308,677,000)
Past service cost and gain on settlements	-	(1,011,133,000)
Benefits payment	(8,745,000)	(95,201,000)
End of the year	17,296,600,000	14,401,892,000

Significant actuarial assumptions for the determination of the defined benefits obligation is discount rate and expected salary growth. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 1% higher (lower), the defined benefits obligation would decrease to Rp 15,473,275,000 (increase to Rp 19,460,329,000).
- If the expected salary growth is 1% higher (lower), the defined benefits obligation would increase to Rp 19,360,387,000 (decrease to Rp 15,305,986,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumption may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefits obligation has been calculated using the projected unit credit method at the end of the reporting year, which is the same as that applied in calculating the defined benefits obligation liability recognised in the statement of financial position.

The average duration of the defined benefits obligation is 16.9 years and 18.3 years at March 31, 2017 and 2016, respectively.

The cost of providing post-employment benefits is calculated by an independent actuary, PT Milliman Indonesia. The actuarial valuation was carried out using the following key assumptions:

PT. TVS MOTOR COMPANY INDONESIA

NOTES TO FINANCIAL STATEMENTS

March 31, 2017 and for the year then ended (Continued)

	March 31, 2017	March 31, 2016
Discount rate per annum	8%	8.5%
Salary increment rate per annum	7.5%	8%
Normal retirement age	55 years old and can be extended up to 60 years old	55 years old and can be extended up to 60 years old
Mortality rate	TMI III	TMI III
Resignation rate	5% p.a. at age of 25 and decreasing linearly to 0% p.a. at age 45 and thereafter	5% p.a. at age of 25 and decreasing linearly to 0% p.a. at age 45 and thereafter
Disability	10% of TMI III	10% of TMI III

20. CAPITAL STOCK

Name of Stockholders	March 31, 2017		
	Ordinary Shares	Percentage of Ownership	Total Capital Stock
		%	Rp
TVS Motor (Singapore) Pte., Limited	5,224,187	37%	508,835,813,800
TVS Motor Company (Europe) B.V.	2,870,000	20%	279,538,000,000
TVS Motor Company Limited, India	6,097,000	43%	593,847,800,000
Total	14,191,187	100%	1,382,221,613,800

Name of Stockholders	March 31, 2016		
	Ordinary Shares	Percentage of Ownership	Total Capital Stock
		%	Rp
TVS Motor (Singapore) Pte., Limited	4,430,000	35%	431,482,000,000
TVS Motor Company (Europe) B.V.	2,870,000	23%	279,538,000,000
TVS Motor Company Limited, India	5,297,000	42%	515,927,800,000
Total	12,597,000	100%	1,226,947,800,000

Movements in paid-in capital are as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Beginning of the year	1,226,947,800,000	1,129,547,800,000
Issuance of capital stock	155,273,813,800	97,400,000,000
End of the year	1,382,221,613,800	1,226,947,800,000

Changes in the Company's outstanding shares are as follows:

	March 31, 2017	March 31, 2016
	Number of Shares	Number of Shares
Beginning of the year	12,597,000	11,597,000
Issuance of capital stock for cash	800,000	1,000,000
Conversion of debt to capital stock	794,187	-
End of the year	14,191,187	12,597,000

In 2017, the loan from TVS Motor (Singapore) Pte. Limited, amounting to US\$ 7,941,870 (equivalent to Rp 104,610,311,640) was converted to 794,817 shares (Note 18).

The Company also received additional capital stock subscription amounting to US\$ 8,000,000 (equivalent to Rp 105,090,000,000) from TVS Motor Company Limited, India.

In 2016, the Company received additional capital stock subscription amounting to US\$ 10,000,000 (equivalent to Rp 137,776,000,000) from TVS Motor Company Limited, India.

21. FOREIGN EXCHANGE RATE DIFFERENCE ON PAID-IN CAPITAL

This account represents the difference between the exchange rate stated in the articles of association and the actual exchange rate at the date the payments for capital subscription were received, with details as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Beginning balance	50,287,020,000	9,911,020,000
Foreign exchange rate difference on issuance of shares	54,426,497,840	40,376,000,000
Ending balance	104,713,517,840	50,287,020,000

22. REVALUATION SURPLUS

This amount represents the increase in value of land due to revaluation.

Beginning balance	244,396,214,244	195,262,077,544
Revaluation surplus (Note 10)	17,716,000,000	49,134,136,700
Ending balance	262,112,214,244	244,396,214,244

23. NET SALES

Sales	295,594,302,930	181,920,564,920
Less sales discounts	(1,933,078,745)	(1,939,546,880)
Net	293,661,224,185	179,981,018,040

0.14% in 2017 and 21.64% in 2016, of the total net sales were made to TVS Motor Company Limited, India, the ultimate holding company (Note 27).

Details of net sales to dealers representing more than 10% of the sales are as follows:

Name of Customers	March 31, 2017	March 31, 2016
	Rp	Rp
Sunshine (Far East) Ltd	65,496,495,063	41,193,356,039
Agrocorp International Pte Ltd	55,306,471,696	33,391,998,308
Golden Wings General Trading Co.	51,493,440,986	-
Stargold Motorcycle Corporation	31,763,891,553	11,381,778,306
TVS Motor Company Ltd	412,549,301	38,939,727,537
Total	204,472,848,599	124,906,860,190

24. COST OF GOODS SOLD

Raw materials and components used	218,280,319,876	139,625,056,872
Direct labor	8,700,667,892	9,400,111,150
Overhead	57,576,090,952	57,806,280,145
Total Manufacturing Cost	284,557,078,720	206,831,448,167
Finished goods		
At beginning of year	5,295,639,033	9,279,111,327
At end of year	(4,893,211,361)	(5,295,639,033)
Cost of Goods Sold	284,959,506,392	210,814,920,461

42.79% in 2017 and 55.89% in 2016 of the total purchases of raw materials and components were made from TVS Motor Company Limited, India, the ultimate holding company (Note 27).

25. OPERATING EXPENSES

Marketing

Advertising and market research	12,172,361,378	15,491,341,547
Services, trainings, and promotions	371,373,123	257,792,827
Dealer development and public relations	196,745,931	233,339,005
Free service charges	180,323,600	118,219,318
Subvention charges	-	210,388,399
Others	508,230,761	415,225,389
Total	13,429,034,793	16,726,306,485

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March 31, 2017 and for the year then ended (Continued)

	March 31, 2017	March 31, 2016		March 31, 2017	March 31, 2016
	Rp	Rp		Rp	Rp
General and administrative			Loss before tax per statements of profit or loss		
Salaries and allowances (Note 27)	16,826,794,290	21,265,539,460	and other comprehensive income	(80,499,423,551)	(149,840,443,030)
Rental	6,166,659,195	7,508,555,896	Temporary differences:		
Consultancy fees	5,949,799,737	5,309,631,453	Provision for employee benefits - net	3,616,779,000	2,938,909,000
Travel and transportation	5,298,714,742	6,025,571,109	Depreciation of property, plant and equipment	2,043,375,138	957,147,130
Post-employment benefits (Note 19)	3,625,524,000	3,034,110,000	Provision for accrued expenses	(610,442,647)	(5,448,136,887)
Training and development	2,591,356,341	2,132,567,273	Employee vehicle ownership program	-	(754,863,747)
Data processing	1,722,246,798	1,710,798,319	Total	5,049,711,491	(2,306,944,504)
Research and development	1,600,737,207	1,465,429,552	Permanent differences:		
Insurance	1,369,059,881	1,858,433,730	Amortization of deferred charges	1,654,716,708	4,964,150,124
Taxes, permit and license	1,201,336,076	1,211,290,776	Employee welfare	2,556,669,456	3,410,606,745
Honorarium	716,769,000	6,596,263,453	Tax expenses	676,065	557,273,751
Professional fees	607,404,265	715,885,668	Provision for inventory obsolescence	1,094,090,848	984,061,769
Telecommunication	508,456,902	588,313,832	Interest income already subjected to final tax	(523,279,780)	(491,846,068)
Depreciation (Note 10)	454,404,174	440,995,426	Provision for impairment losses	215,211,854	-
Office supplies	420,800,562	390,535,746	Others	217,298,649	160,495,558
Postage and courier	59,575,414	73,303,726	Total	5,215,383,800	9,584,741,879
Recruitment	39,377,975	34,455,799	Fiscal loss before fiscal loss carryforward	(70,234,328,260)	(142,562,645,655)
Business meeting	32,407,100	147,171,967	Fiscal loss carryforward - net of expired portion	(672,642,986,070)	(707,468,755,706)
Others	619,037,427	489,045,686	Tax correction (unappealed tax case)	5,343,463,745	20,566,849,352
Total	49,810,461,086	60,997,898,871	Total accumulated fiscal loss	(737,533,850,585)	(829,464,552,009)
			Current tax	Nil	Nil
			Prepaid taxes		
			2017	467,640,000	-
			2016	1,002,923,372	1,002,923,372
			2015	319,225,000	319,225,000
			Prepaid taxes (Note 8)	1,789,788,372	1,322,148,372

26. INCOME TAX

Tax expense of the Company pertains to deferred tax amounting to Rp 25,881,122,486 and Rp 20,149,698,140 in 2017 and 2016, respectively.

Current tax

The reconciliation between loss before tax per statements of profit or loss and other comprehensive income and fiscal loss is as follows:

Deferred Tax

The details of the Company's deferred tax assets (liabilities) are as follows:

	April 1, 2015	Credited (charged) to profit or loss for the year	Credited to Other Comprehensive Income	March 31, 2016	Credited (charged) to profit or loss for the year	Charged to Other Comprehensive Income	March 31, 2017
	Rp	Rp	Rp	Rp	Rp	Rp	Rp
Deferred tax asset (liabilities):							
Fiscal loss	96,390,332,977	(17,424,520,778)	-	78,965,812,199	(27,102,434,656)	-	51,863,377,543
Accrued expenses	3,763,343,849	(1,316,035,724)	-	2,447,308,125	(152,610,662)	-	2,294,697,463
Deferred charges	2,194,439,734	(2,194,439,734)	-	-	-	-	-
Employee vehicle ownership program	229,831,640	(188,715,937)	-	41,115,703	(41,115,703)	-	-
Property, plant and equipment	(17,442,864,076)	239,286,783	-	(17,203,577,293)	510,843,785	-	(16,692,733,508)
Post-employment benefits obligation	3,723,812,750	734,727,250	(858,067,000)	3,600,473,000	904,194,750	(180,517,750)	4,324,150,000
Deferred Tax Asset - Net	88,858,896,874	(20,149,698,140)	(858,067,000)	67,851,131,734	(25,881,122,486)	(180,517,750)	41,789,491,498

The fiscal loss can be utilized against the taxable income for a period of five years subsequent to the year the fiscal loss was incurred.

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March 31, 2017 and for the year then ended (Continued)

A reconciliation between the tax expense and the amounts computed by applying the effective tax rates to profit before tax is as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Loss before tax per statements of profit or loss and other comprehensive income	(80,499,423,551)	(149,840,443,030)
Tax benefit at effective tax rates	(20,124,855,888)	(37,460,110,758)
Unrecognized deferred tax on fiscal loss	44,661,016,721	53,065,182,192
Tax effect of permanent differences	1,303,845,950	2,396,185,470
Derecognition of employee vehicle ownership program	41,115,703	-
Derecognition of deferred tax on deferred charges	-	2,194,439,734
Correction of tax base	-	(45,998,498)
Tax expense	25,881,122,486	20,149,698,140

27. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

- TVS Motor Company (Europe) B.V. and TVS Motor (Singapore) Pte., Limited, are stockholders of the Company.
- TVS Motor Company Limited, India (TVS India) is the ultimate holding company of the Company and a stockholder.

Transactions with Related Parties

The Company entered into certain transactions with related parties, including the following:

- Compensation paid to the Commissioners and Directors of the Company amounted to Rp 4,101,840,092 and Rp 14,349,118,192 in 2017 and 2016, respectively.
- Net sales to a related party accounted for 0.14% in 2017 and 21.64% in 2016, of the total net sales. At reporting date, the receivables from these net sales were presented as trade accounts receivable, which constituted 0.55% of the total assets as of March 31, 2016.
- Purchases from a related party constituted 42.79% in 2017 and 55.89% in 2016 of the total purchases of raw materials and components. At reporting date, the liabilities for these purchases were presented as trade accounts payable which constituted 5.01% and 11.05% of the total liabilities as of March 31, 2017 and 2016, respectively.
- The Company also entered into non-trade transactions such as product developments (Note 11) and foreign guarantee charges and license agreements with a related party (Note 14).
- The Company obtained a loan from a shareholder and incurred interest expense as discussed in Note 18.

28. SIGNIFICANT CONTRACTS AND AGREEMENTS

- The Company entered into a License and Technical Assistance Agreement (the "Agreement") dated February 26, 2007 with TVS Motor Company Limited (the "Licensor"), India, a stockholder, for 5 years and can be renewed upon mutual agreement by both parties. In accordance with the Agreement, the Company is required to pay technical assistance fee amounting to INR 20,000,000 per annum. In addition to such agreement, the Company is also required to pay royalty starting April 1, 2009.

On April 1, 2010, both parties amended the Agreement relating to royalty. The Licensor, agreed to waive the Company's royalty obligation starting April 1, 2010 until the Company achieves a monthly sales of 10,000 units of two wheelers. In addition, both parties agreed to extend the validity of this Agreement until March 31, 2017. This agreement was not extended further.

On April 1, 2017, the Company and TVS Motor Company Limited entered into a new License and Technical Assistance Agreement, wherein the Company obtains the right to use industrial property rights and technical information in connection with the manufacture, assembly, sale and service of TVS two and three wheeler brands. As per agreement, the Company has to pay royalty of 2% on the net ex-factory price of every product sold. The payment of royalty will only begin when the combined production of two and three wheelers exceed 20,000 units per month. This agreement will be valid for 5 years from effectivity date.

- On June 15, 2016, the Company entered into supplemental agreement with TVS Motor (Singapore) PTE. granting right of loan conversion into shares of the Company (Note 18).

29. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

		March 31, 2016		March 31, 2015	
		Foreign Currency	Equivalent in Rp	Foreign Currency	Equivalent in Rp
Monetary Assets					
Cash and cash equivalents	USD	3,474,499	46,283,799,846	1,743,870	23,151,617,187
Trade accounts receivable					
Related party	USD	-	-	285,091	3,784,871,568
Third parties	USD	2,606,484	34,720,969,234	819,295	10,876,960,154
	SGD	2,093,586	19,956,059,707	1,684,927	16,562,827,686
Security deposits	USD	17,815	237,311,883	17,815	236,510,214
Total Monetary Assets			101,198,140,670		54,612,786,809
Monetary Liabilities					
Bank loans	USD	23,286,945	310,205,379,558	15,553,317	206,485,835,469
Trade accounts payable					
Related party	USD	1,075,634	14,328,520,780	4,207,560	55,859,568,551
Third parties	USD	188,741	2,514,215,397	172,033	2,283,916,215
Other accounts payable					
Related party	USD	169,417	2,256,798,416	112,378	1,491,934,802
Third parties	USD	124,986	1,664,937,707	63,843	847,585,377
Accrued expenses	USD	160,704	2,140,736,511	446,333	5,925,516,775
Loan from a financial institution	USD	2,185,829	29,117,428,150	4,362,778	57,920,240,600
Loan from a shareholder	USD	-	-	7,941,876	105,436,345,776
Total Monetary Liabilities			362,228,016,519		436,250,943,565
Net Monetary Liabilities			(261,029,875,849)		(381,638,156,756)

The conversion rates used by the Company are as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
USD	13,321	13,276
SGD	9,532	9,830

30. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

a. Categories and Classes of Financial Instruments

	March 31, 2017		
	Loans and receivables	Liabilities at amortized cost	Total
	Rp	Rp	Rp
Financial Assets			
Cash and cash equivalents	59,574,848,658	-	59,574,848,658
Trade accounts receivable			
Third parties	83,408,858,459	-	83,408,858,459
Other current assets	1,545,716,181	-	1,545,716,181
Security deposits	1,113,503,257	-	1,113,503,257
Financial Liabilities			
Trade accounts payable			
Related party	-	22,294,951,675	22,294,951,675
Third parties	-	17,555,559,816	17,555,559,816
Other accounts payable			
Related party	-	2,256,798,416	2,256,798,416
Third parties	-	7,123,896,629	7,123,896,629
Accrued expenses	-	17,884,427,398	17,884,427,398
Bank loans	-	328,883,882,243	328,883,882,243
Loan from a financial institution	-	29,117,428,150	29,117,428,150
Total	145,642,926,555	425,116,944,327	570,759,870,882

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March 31, 2017 and for the year then ended (Continued)

	March 31, 2016		
	Loans and receivables	Liabilities at amortized cost	Total
	Rp	Rp	Rp
Financial Assets			
Cash and cash equivalents	30,851,268,776	-	30,851,268,776
Trade accounts receivable			
Related party	3,784,871,568	-	3,784,871,568
Third parties	30,632,599,042	-	30,632,599,042
Other current assets	1,378,350,602	-	1,378,350,602
Security deposits	1,087,823,637	-	1,087,823,637
Financial Liabilities			
Trade accounts payable			
Related party	-	55,859,568,551	55,859,568,551
Third parties	-	14,705,364,375	14,705,364,375
Other accounts payable			
Related party	-	1,491,934,802	1,491,934,802
Third parties	-	4,623,177,571	4,623,177,571
Accrued expenses	-	22,358,888,326	22,358,888,326
Bank loans	-	227,428,259,294	227,428,259,294
Loan from a financial institution	-	57,920,240,600	57,920,240,600
Loan from a shareholder	-	105,436,345,776	105,436,345,776
Total	67,734,913,625	489,823,779,295	557,558,692,920

b. Capital Risk Management

The Company manages capital risk to ensure that it will be able to continue as a going concern, in addition to maximizing the profits of the shareholders through the optimization of the balance of debt and equity. The Company's capital structure consists of cash and cash equivalents (Note 5), bank loans (Note 12), loan from a financial institution (Note 17), loan from a shareholder (Note 18) and equity, consisting of subscribed and paid-up capital (Note 20), foreign exchange rate difference on paid-in capital (Note 21) and revaluation surplus (Note 22).

The gearing ratio as of March 31, 2017 and 2016 are as follows:

	March 31, 2017	March 31, 2016
	Rp	Rp
Debt	3 58,001,310,393	390,784,845,670
Cash and cash equivalents	59,690,186,793	30,984,603,733
Debt - net	298,311,123,600	359,800,241,937
Equity	298,452,262,571	176,874,943,718
Net debt to equity ratio	100%	203%

c. Financial risk management objectives and policies

The Company's overall financial risk management and policies seek to ensure that adequate financial resources are available for operations and development of its business, while managing its exposure to foreign exchange, interest rate, credit and liquidity risks. The Company operates within defined guidelines that are approved by the Board of Directors

i. Interest rate risk management

The interest rate risk exposure relates to the amount of assets or liabilities which is subject to a risk that a movement in interest rates will adversely affect the loss for the year. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The Company has a policy of obtaining financing from banks which offer the most favorable interest rate. Approvals from the Directors and Commissioners must be obtained before committing the Company to any of the instruments to manage the interest rate risk exposure.

Financial instruments that are exposed to interest rate risk are included in the liquidity table in item (iv).

The sensitivity analysis below had been determined based on the exposure of the financial liabilities to floating interest rates as of March 31, 2017 and 2016. The analysis is prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

In 2017 and 2016, if interest rate had been 93 and 25 basis points, respectively, higher (lower) and the other variables held constant, the Company's profit after tax would decrease (increase) by Rp 1,350,711,781 and Rp 14,452,476, respectively.

ii. Foreign currency risk management

The Company is exposed to the effects of foreign currency exchange rate fluctuations mainly because of foreign currency denominated transactions such as sales and purchases of goods, and borrowings denominated in foreign currency.

The Company manages the foreign currency exposure by matching, as far as possible, receipts and payments in each individual currency. The Company's net open foreign currency exposure as of reporting date is disclosed in Note 29.

The Company is mainly exposed to the US Dollar. The following table details the Company's sensitivity to changes in Indonesian Rupiah against US Dollar. The sensitivity analysis represents management's assessment of the effect to the financial statements caused by the reasonably possible change in foreign exchange rates, on outstanding foreign currency denominated monetary financial assets and liabilities.

	2017		2016	
	Percentage of change in exchange rate	Effect on profit or loss after tax	Percentage of change in exchange rate	Effect on profit or loss after tax
		Rp		Rp
US Dollar	2%	4,214,789,033	4%	11,946,029,534

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

iii. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a loss to the Company.

The Company's credit risk is primarily attributed to its cash in banks, trade accounts receivable, other current assets and security deposits. The Company places its bank balances with credit worthy financial institutions, while trade accounts receivable are entered with respected and credit worthy third and related parties. With respect to the distributors to whom credit is extended for the sale of vehicles, the Company has a policy of obtaining bank guarantees and/or assets for collateral, which is the basis for setting-up the distributor's credit limit. The Company's exposure and its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually. In respect of export transactions, the Company supplies its products to its distributors outside Indonesia based on letters of credit issued by reputable banks or based on advance remittance of money by telegraphic transfer, except for the Philippine customers whom the sales are partially on letter of credit basis and on open terms with extended credit period, goods are shipped out only after ensuring receipt of letters of credit or funds covering the value of exports or part of it depending on the assessment of each party carried out by the management.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with trade accounts receivables is partially mitigated because the trade accounts receivable are partially secured by bank guarantee and land certificates. Trade accounts receivable amounting to Rp 36,091,291,520 and Rp 29,711,458,260 as of March 31, 2017 and 2016 are fully covered by collaterals.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment losses and credit risk enhancements represents the Company's exposure to credit risk.

iv. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company receives support from shareholders to finance its ongoing working capital requirements.

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March 31, 2017 and for the year then ended (Continued)

The table below summarizes the maturity profile of financial assets and liabilities based on remaining maturity of contractual undiscounted payments as of March 31, 2017 and 2016.

March 31, 2017						
Weighted average effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5+ years	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Financial assets						
Non-interest bearing						
Cash on hand	115,338,135	-	-	-	-	115,338,135
Trade accounts receivable	9,616,330,510	43,860,104,599	29,932,423,350	-	-	83,408,858,459
Security deposits	-	-	-	1,113,503,257	-	1,113,503,257
Other current assets	216,517,953	338,423,311	990,774,917	-	-	1,545,716,181
Variable interest rate instruments						
Cash in banks	1.5% - 2.25%	35,441,719,619	-	-	-	35,441,719,619
Fixed interest rate instruments						
Time deposits	1.5% - 8%	18,426,547,308	6,497,289,543	-	-	24,923,836,851
Total	63,816,453,525	50,695,817,453	30,923,198,267	1,113,503,257	-	146,548,972,502
Financial liabilities						
Non-interest bearing						
Trade accounts payable						
Related party	-	10,640,592,099	11,654,359,576	-	-	22,294,951,675
Third party	4,650,086,870	6,539,028,324	6,366,444,622	-	-	17,555,559,816
Other accounts payable						
Related party	-	2,256,798,416	-	-	-	2,256,798,416
Third party	2,683,813,595	4,440,083,034	-	-	-	7,123,896,629
Accrued expense	9,635,100,085	4,868,988,842	1,808,717,309	1,571,621,162	-	17,884,427,398
Variable interest rate instruments						
Bank loans	2.5% - 5.4%	3,436,351,419	13,116,866,320	83,644,043,080	67,180,134,175	167,377,394,994
Fixed interest rate instruments						
Bank loans	7.5% - 12.7%	3,285,352,641	2,056,429,408	173,768,285,001	-	179,110,067,050
Loan from a financial institution	5.52%	-	-	30,382,590,084	-	30,382,590,084
Total	23,690,704,610	43,918,786,443	307,624,439,672	68,751,755,337	-	443,985,686,062
Maturity GAP	40,125,748,915	6,777,031,010	(276,701,241,405)	(67,638,252,080)	-	(297,436,713,560)
March 31, 2016						
Weighted average effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5+ years	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Financial assets						
Non-interest bearing						
Cash on hand	133,334,957	-	-	-	-	133,334,957
Trade accounts receivable	10,437,421,776	22,227,059,242	1,752,989,592	-	-	34,417,470,610
Security deposits	-	-	-	1,087,823,637	-	1,087,823,637
Other current assets	302,372,283	252,390,459	823,587,860	-	-	1,378,350,602
Variable interest rate instruments						
Cash in banks	1.75% - 2.5%	10,741,933,819	-	-	-	10,741,933,819
Fixed interest rate instruments						
Time deposits	2.0% - 9.75%	13,298,126,667	7,278,423,611	-	-	20,576,550,278
Total	34,913,189,502	29,757,873,312	2,576,577,452	1,087,823,637	-	68,335,463,903
Financial liabilities						
Non-interest bearing						
Trade accounts payable						
Related party	-	35,782,416,734	20,077,151,817	-	-	55,859,568,551
Third party	3,065,529,782	8,513,747,547	3,126,087,046	-	-	14,705,364,375
Other accounts payable						
Related party	-	1,491,934,802	-	-	-	1,491,934,802
Third party	2,390,846,522	2,232,331,049	-	-	-	4,623,177,571
Accrued expense	10,318,771,465	7,650,544,942	4,389,571,919	-	-	22,358,888,326
Variable interest rate instruments						
Bank loans	5.15% - 13.0%	1,048,578,839	2,079,249,682	2,575,269,320	-	5,703,097,841
Fixed interest rate instruments						
Bank loans	6.5%	1,429,968,045	3,431,973,973	14,256,078,880	202,673,093,565	221,791,114,463
Loan from a financial institution	6.5% - 11%	291,032,266	873,096,798	31,744,774,640	30,279,953,904	63,188,857,608
Loan from a shareholder	5.52%	765,788,660	2,297,365,980	8,698,498,527	131,531,841,356	143,293,494,523
Loan from a shareholder	8.25%	-	-	-	-	-
Total	19,310,515,579	64,352,661,507	84,867,432,149	364,484,888,825	-	533,015,498,060
Maturity GAP	15,602,673,923	(34,594,788,195)	(82,290,854,697)	(363,397,065,188)	-	(464,680,034,157)

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March 31, 2017 and for the year then ended (Continued)

d. Fair value of financial instruments

Fair value of financial instruments carried at amortized cost

Except as shown in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate their fair values:

	March 31, 2017		March 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
	Rp	Rp	Rp	Rp
Loan from a shareholder	-	-	105,436,345,776	107,976,373,056
Loan from financial institution	29,117,428,150	29,447,608,235	57,920,240,600	58,016,120,531

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of non financial asset and financial liabilities are determined as follows:

- Fair value of financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.
- Fair value of the land was determined based on market approach that considers current market value from identical or comparable assets transaction.

The following table provide an analysis of fair value of assets and liabilities, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
	Rp	Rp	Rp	Rp
Non-financial assets measured at fair value				
Land	-	289,779,000,000	-	289,779,000,000
Liabilities to which fair value are disclosed				
Loans from financial institution	-	29,447,608,235	-	29,447,608,235
Total	-	319,226,608,235	-	319,226,608,235

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
	Rp	Rp	Rp	Rp
Non-financial assets measured at fair value				
Land	-	272,063,000,000	-	272,063,000,000
Liabilities to which fair value are disclosed				
Loan from a shareholders	-	107,976,373,056	-	107,976,373,056
Loans from financial institution	-	58,016,120,531	-	58,016,120,531
Total	-	438,055,493,587	-	438,055,493,587

In 2017 and 2016, there is no movement of fair value measurement method from level 1 to level 2, and vice versa.

31. OTHER MATTERS

The Company incurred a total comprehensive loss of Rp 88,122,992,787 during the year ended March 31, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by Rp 101,638,731,851. Further, the Company incurred a deficit of Rp 1,456,000,108,313 as of March 31, 2017, as a result of recurring losses from operations due to significant operating expenses. The Company is still developing its market share and introducing its brand in Indonesia. In introducing its new brand, the Company has to compete with the existing well-known brands. They are also developing their networks to distributors, dealers and consumer finance companies. Nevertheless, the Company's management believes that they maintain considerable financial resources, including support from the Company's ultimate shareholder.

In the current year, the Company had increased operating capacity through export sales resulting in a positive gross profit.

Management also implemented and continues to implement the following measures:

- Continued focus on export markets;
- Aim to create own niche segment in the local market;
- Increasing sales volume and improvements to margins;
- Focus on selling three wheelers; and
- Continued efforts on reducing the cost and eliminating waste.

The Company's management also believes that it is well placed to manage the Company's business risks successfully despite the current condition and is able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

32. MANAGEMENT'S RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS

The preparation and fair presentation of the financial statements on pages 1 to 40 were the responsibilities of the management, and were approved by the Directors and authorized for issue on April 20, 2017

**RE-STATED ACCOUNTS OF
PT. TVS MOTOR COMPANY INDONESIA**

PT. TVS MOTOR COMPANY INDONESIA

BALANCE SHEET AS AT 31ST MARCH 2017

	Notes	IDR in Mn.	Rupees in crores
ASSETS			
Non-current assets			
Property, plant and equipment	1	470,240.68	191.28
Non-Current tax assets (Net)		1,789.79	0.87
Other non-current assets	2	21,501.78	10.48
		<u>493,532.25</u>	<u>202.63</u>
Current assets			
Inventories	3	89,099.78	43.43
Financial assets			
i. Trade receivables	4	83,408.86	40.66
ii. Cash and cash equivalents	5	59,690.19	29.10
Other current assets	6	25,216.05	12.29
		<u>257,414.88</u>	<u>125.48</u>
Total Assets		<u>750,947.13</u>	<u>328.11</u>
EQUITY AND LIABILITIES			
Equity			
Equity share capital	7	1,382,221.61	727.17
Other equity	8	(1,081,431.17)	(618.52)
		<u>300,790.44</u>	<u>108.65</u>
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	9	66,605.00	32.47
Provisions	10	22,701.63	11.06
		<u>89,306.63</u>	<u>43.53</u>
Current liabilities			
Financial liabilities			
i. Borrowings	11	195,673.88	95.40
ii. Trade payables	12	67,115.63	32.72
iii. Other financial liabilities	13	95,722.43	46.66
Other current liabilities	14	2,338.12	1.15
		<u>360,850.06</u>	<u>175.93</u>
Total liabilities		<u>450,156.69</u>	<u>219.46</u>
Total Equity and Liabilities		<u>750,947.13</u>	<u>328.11</u>

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	IDR in Mn.	Rupees in crores
Sl. No.			
I Revenue from operations	15	293,747.30	148.94
II Other income	16	546.31	0.28
III Total Income (I +II)		<u>294,293.61</u>	<u>149.22</u>
IV Expenses:			
Cost of material consumed	17	215,409.69	109.17
Purchase of stock in trade	17	-	-
Changes in inventories of finished goods, stock-in-trade and work-in-progress	17	402.43	0.26
Employee benefits expense	18	50,384.67	25.55
Finance costs	19	26,590.84	13.49
Depreciation and amortisation expense	1	18,740.17	13.44
Other expenses	20	63,924.39	32.41
		<u>375,452.19</u>	<u>194.32</u>
V Profit before exceptional items (III - IV)		(81,158.58)	(45.10)
VI Exceptional items		-	-
VII Profit before tax (V+ VI)		<u>(81,158.58)</u>	<u>(45.10)</u>
VIII Tax expense			
i) Current tax		-	-
ii) Deferred tax		-	-
IX Profit for the year (VII - VIII)		<u>(81,158.58)</u>	<u>(45.10)</u>
X Other Comprehensive Income			
A. Items that will not be reclassified to profit or loss			
B. Items that will be reclassified to profit or loss			
Foreign currency translation adjustments		-	(21.03)
		<u>-</u>	<u>(21.03)</u>
XI Total Comprehensive Income (IX+X)		<u>(81,158.58)</u>	<u>(66.13)</u>
XII Earnings per equity share			
(Face value of IDR.97,400/- each)			
Basic & Diluted earnings per share (in IDR / in rupees)		(5,718.94)	(31.78)

PT. TVS MOTOR COMPANY INDONESIA

Notes on accounts

FIXED ASSETS

1 Property, Plant & Equipment

IDR in Millions

Description	Property, Plant & Equipment					Total
	Land	Buildings	Plant & equipment	Vehicles	Furniture, fixtures and equipments	
	1	2	3	4	5	
Cost of assets						
Gross carrying value as at 01-04-2016	222,928.86	94,003.82	304,583.80	780.00	10,000.24	632,296.72
Additions	-	207.00	3,158.00	-	518.10	3,883.10
Sub-total	222,928.86	94,210.82	307,741.80	780.00	10,518.34	636,179.82
Sales / deletion	-	-	-	-	190.69	190.69
Total	222,928.86	94,210.82	307,741.80	780.00	10,327.65	635,989.13
Depreciation / Amortisation						
Upto 31-03-2016	-	36,938.42	100,405.24	667.34	9,184.78	147,195.78
For the year	-	4,700.22	13,585.54	81.13	373.28	18,740.17
Sub-total	-	41,638.64	113,990.78	748.47	9,558.06	165,935.95
Withdrawn on assets sold / deleted	-	-	-	-	187.50	187.50
Total	-	41,638.64	113,990.78	748.47	9,370.56	165,748.45
Carrying value						
As at 31-03-2017	222,928.86	52,572.18	193,751.02	31.53	957.09	470,240.68

1 Property, Plant & Equipment

Rupees in crores

Description	Property, Plant & Equipment					Total
	Land	Buildings	Plant & equipment	Vehicles	Furniture, fixtures and equipments	
	1	2	3	4	5	
Cost of assets						
Gross carrying value as at 01-04-2016	111.46	46.79	149.10	0.39	5.00	312.74
Additions	-	0.10	1.54	-	0.25	1.89
Foreign Currency translation reserve difference	(2.78)	(1.00)	(2.41)	(0.01)	(0.12)	(6.32)
Sub-total	108.68	45.89	148.23	0.38	5.13	308.31
Sales / deletion	-	-	-	-	0.09	0.09
Total	108.68	45.89	148.23	0.38	5.04	308.22
Depreciation / Amortisation						
Upto 31-03-2016	-	18.25	78.46	0.33	4.59	101.63
For the year	-	2.37	10.84	0.04	0.19	13.44
Foreign Currency translation reserve difference	-	(0.52)	2.60	-	(0.12)	1.96
Sub-total	-	20.10	91.90	0.37	4.66	117.03
Withdrawn on assets sold / deleted	-	-	-	-	0.09	0.09
Total	-	20.10	91.90	0.37	4.57	116.94
Carrying value						
As at 31-03-2017	108.68	25.79	56.33	0.01	0.47	191.28

PT. TVS MOTOR COMPANY INDONESIA

Notes on accounts - (continued)

	IDR in Mn. As at 31-03-2017	Rupees in crores As at 31-03-2017
2 OTHER NON-CURRENT ASSETS		
Advances other than capital advances:		
Deposits made	1,113.50	0.54
VAT receivable	20,388.28	9.94
	<u>21,501.78</u>	<u>10.48</u>
3 INVENTORIES		
Raw materials and components	83,827.67	40.86
Finished goods	4,893.21	2.39
Stores and spares	378.90	0.18
	<u>89,099.78</u>	<u>43.43</u>
4 TRADE RECEIVABLES		
Secured, considered good	-	-
Unsecured, considered good	83,408.86	40.66
Doubtful	-	-
	<u>83,408.86</u>	<u>40.66</u>
Less: Allowance for doubtful debts	-	-
	<u>83,408.86</u>	<u>40.66</u>
5 CASH AND CASH EQUIVALENTS		
Balances with banks in current accounts	34,832.16	16.98
Deposits with maturity of less than three months	24,742.69	12.06
Cash on hand	115.34	0.06
	<u>59,690.19</u>	<u>29.10</u>

Notes on accounts - (continued)

	IDR in Mn. As at 31-03-2017	Rupees in crores As at 31-03-2017
6 OTHER CURRENT ASSETS		
VAT/IT/Excise receivable	18,776.62	9.15
Vendor advance	2,319.97	1.13
Others	4,119.46	2.01
	<u>25,216.05</u>	<u>12.29</u>
7 EQUITY SHARE CAPITAL		
Authorised, issued, subscribed and fully paid up:		
Authorised:		
1,50,00,000 Ordinary shares of IDR.97,400 each	1,461,000.00	768.61
Issued, subscribed and fully paid up:		
1,41,91,187 Ordinary shares of IDR.97,400 each	1,382,221.61	727.17
	<u>1,382,221.61</u>	<u>727.17</u>
8 OTHER EQUITY		
General reserve	(8,135.60)	(0.81)
Retained earnings	(1,178,009.09)	(579.81)
Foreign currency translation reserve	104,713.52	(37.90)
	<u>(1,081,431.17)</u>	<u>(618.52)</u>

9 NON CURRENT LIABILITIES - FINANCIAL LIABILITIES

Borrowings

Description	Frequency	No. of instalments due	Maturity	IDR in Mn.	Rupees in crores
Secured:					
Financial Institution	Half- yearly	2	Mar 2018	29,117.43	14.19
Term Loan from Bank	Quarterly	6	Jan 2019	133,210.00	64.94
Total Borrowings :				162,327.43	79.13
Less : Current maturities of long-term borrowings (Refer Note No. 13)				95,722.43	46.66
Total Long-term Borrowings				66,605.00	32.47

Details of securities created:

- (i) Term loans from Financial Institution is secured by collateral on property, plant and equipment
- (ii) Term loan from Bank is secured by a lien on collection account.

Amount payable in each instalments:

Description	Currency	Amount
Term loan from Bank	USD	1.66 Million

PT. TVS MOTOR COMPANY INDONESIA

Notes on accounts - (continued)

	IDR in Mn. As at/year ended 31-03-2017	Rupees in crores As at/year ended 31-03-2017
10 NON - CURRENT LIABILITIES - PROVISIONS		
Pension	22,701.63	11.06
	<u>22,701.63</u>	<u>11.06</u>
11 FINANCIAL LIABILITIES - BORROWINGS (CURRENT)		
Borrowings repayable on demand from banks		
Secured	195,673.88	95.40
	<u>195,673.88</u>	<u>95.40</u>
Short term borrowings from banks include :		
a) A loan of Rs.81.30 crores in USD obtained from a bank, secured by a letter of credit issued by a bank in India and		
b) A loan of Rs.9.11 crores in IDR and Rs. 4.99 crores in USD obtained from another bank secured by inventories and trade receivable.		
12 TRADE PAYABLES		
Current		
Dues to Micro and Small Enterprises **	-	-
Dues to enterprises other than Micro and Small Enterprises	67,115.63	32.72
	<u>67,115.63</u>	<u>32.72</u>
** Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information received by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.		
13 OTHER FINANCIAL LIABILITIES		
Current		
Current Maturities of long term borrowings		
(i) Financial Institution	29,117.43	14.19
(ii) Term loan from bank	66,605.00	32.47
	<u>95,722.43</u>	<u>46.66</u>
14 OTHER CURRENT LIABILITIES		
Statutory dues	514.41	0.25
Advance received from customers	1,823.71	0.90
	<u>2,338.12</u>	<u>1.15</u>
15 REVENUE FROM OPERATIONS		
Sale of products	293,661.22	148.90
Other operating revenue	86.08	0.04
	<u>293,747.30</u>	<u>148.94</u>
16 OTHER INCOME		
Interest income	546.31	0.28
	<u>546.31</u>	<u>0.28</u>

Notes on accounts - (continued)

	IDR in Mn. As at/year ended 31-03-2017	Rupees in crores As at/year ended 31-03-2017
17 MATERIAL COST :		
Cost of Materials Consumed		
Opening stock of raw materials and components	78,042.54	39.02
Add: Purchases	221,194.82	111.01
	<u>299,237.36</u>	<u>150.03</u>
Less: Closing stock of raw materials and components	83,827.67	40.86
Consumption of raw materials and components	<u>215,409.69</u>	<u>109.17</u>
Purchases of stock-in-trade	-	-
Changes in inventories of finished goods, work-in-progress and stock-in-trade:		
Opening stock:		
Work-in-progress	-	-
Stock-in-trade	-	-
Finished goods	5,295.64	2.65
(A)	<u>5,295.64</u>	<u>2.65</u>
Closing stock:		
Work-in-progress	-	-
Stock-in-trade	-	-
Finished goods	4,893.21	2.39
(B)	<u>4,893.21</u>	<u>2.39</u>
(A)-(B)	<u>402.43</u>	<u>0.26</u>
18 EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	41,483.59	21.03
Contribution to provident and other funds	5,074.22	2.58
Staff welfare expenses	3,826.86	1.94
	<u>50,384.67</u>	<u>25.55</u>
19 FINANCE COSTS		
Interest	27,365.22	13.88
Exchange differences	(774.38)	(0.39)
	<u>26,590.84</u>	<u>13.49</u>
20 OTHER EXPENSES		
(a) Consumption of stores, spares and tools	1,433.74	0.73
(b) Power and fuel	2,890.15	1.47
(c) Rent	8,263.03	4.19
(d) Repairs - buildings	1,784.53	0.90
(e) Repairs - plant and equipment	588.51	0.30
(f) Insurance	1,369.06	0.69
(g) Rates and taxes (excluding taxes on income)	1,201.34	0.61
(h) Audit fees	607.40	0.31
(i) Packing and freight charges	14,392.54	7.30
(j) Advertisement and publicity	12,172.36	6.17
(k) Other marketing expenses	1,384.16	0.70
(l) Loss on impairment of assets	218.41	0.11
(m) Miscellaneous expenses (under this head there is no expenditure which is in excess of 1% of revenue from operations or Rs.10 lakh, whichever is higher)	17,619.16	8.93
	<u>63,924.39</u>	<u>32.41</u>

SUNDARAM HOLDING USA INC.

Independent Auditor's Report

The Board of Directors
Sundaram Holding USA, Inc. and subsidiaries

We have audited the accompanying consolidated financial statements of Sundaram Holding USA, Inc. and subsidiaries ("the Company"), which comprise the consolidated balance sheets as at March 31, 2017 and March 31, 2016 and the related consolidated statements of loss, changes in stockholders' equity/deficit and cash flows for the year April 01, 2016 to March 31, 2017 and for the period September 09, 2015 (date of inception) to March 31, 2016 and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected

depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of the Company as at March 31, 2017 and March 31, 2016 and the results of its operations and its cash flows for the year April 01, 2016 to March 31, 2017 and for the period September 09, 2015 to March 31, 2016, in accordance with the accounting principles generally accepted in the United States of America.

Knave P.A.
Atlanta, Georgia

April 5, 2017

CONSOLIDATED BALANCE SHEET

(All amounts in United States Dollars, unless otherwise stated)

	As at March 31, 2017	As at March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,014,328	1,000
Other current assets	2,650	-
Total current assets	<u>1,016,978</u>	<u>1,000</u>
Property and equipment	3,031,390	-
Capital advances	48,827	-
Total assets	<u>4,097,195</u>	<u>1,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Other current liabilities	52,318	310,318
Total current liabilities	<u>52,318</u>	<u>310,318</u>
Stockholders' equity (deficit)		
Common stock, \$1 par, 10,000,000 shares authorized;		
5,294,432 (Previous year 1,000 shares) issued and outstanding (Refer Note K)	5,294,432	1,000
Accumulated deficit	(1,249,555)	(310,318)
Total stockholders' equity (deficit)	<u>4,044,877</u>	<u>(309,318)</u>
Total liabilities and stockholders' equity (deficit)	<u>4,097,195</u>	<u>1,000</u>

(The accompanying notes are an integral part of these financial statements)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

(All amounts in United States Dollars, except number of shares)

For the year ended March 31, 2017 and March 31, 2016

Particulars	Common stock				Accumulated deficit US\$	Total stockholder's equity (deficit) US\$
	Authorized		Issued & outstanding			
	Shares	Value US\$	Shares	Value US\$		
Authorized on September 09, 2015	10,000,000	10,000,000	-	-	-	-
Common stock issued	-	-	1,000	1,000	-	1,000
Net loss	-	-	-	-	(310,318)	(310,318)
Balance as at March 31, 2016	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000</u>	<u>1,000</u>	<u>(310,318)</u>	<u>(309,318)</u>
Balance as on April 01, 2016	10,000,000	10,000,000	1,000	1,000	(310,318)	(309,318)
Common stock issued	-	-	5,293,432	5,293,432	-	5,293,432
Net loss	-	-	-	-	(939,237)	(939,237)
Balance as at March 31, 2017	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,294,432</u>	<u>5,294,432</u>	<u>(1,249,555)</u>	<u>4,044,877</u>

(The accompanying notes are an integral part of these financial statements)

CONSOLIDATED STATEMENT OF LOSS

(All amounts in United States Dollars, unless otherwise stated)

	As at March 31, 2017	As at March 31, 2016
Costs and expenses		
Depreciation	9,224	-
General and administrative expenses	929,963	310,318
Total costs and expenses	<u>939,187</u>	<u>310,318</u>
Loss before tax	(939,187)	(310,318)
Income tax expense	50	-
Net loss	<u>(939,237)</u>	<u>(310,318)</u>

(The accompanying notes are an integral part of these financial statements)

SUNDARAM HOLDING USA INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in United States Dollars unless otherwise stated)

	As at March 31, 2017	As at March 31, 2016
Cash flow from operating activities		
Net loss	(939,237)	(310,318)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	9,224	-
Changes in assets and liabilities		
Other current liabilities	235,433	310,318
Other current assets	(2,650)	-
Net cash used in operating activities	(697,230)	-
Cash flow from investing activities		
Purchase of property and equipment	(3,040,615)	-
Capital advance paid	(48,827)	-
Net cash used in investing activities	(3,089,442)	-
Cash flow from financing activities		
Issuance of common stock	4,800,000	1,000
Net cash provided by financing activities	4,800,000	1,000
Net increase in cash and cash equivalents	1,013,328	1,000
Cash and cash equivalents at the beginning of the period	1,000	-
Cash and cash equivalents at the end of the period	1,014,328	1,000
Supplemental non-cash information		
Amount payable converted into equity contribution. (Refer Note K)	493,432	-

(The accompanying notes are an integral part of these financial statements)

NOTES TO FINANCIAL STATEMENTS

(All amounts in United States Dollars unless otherwise stated)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

1. Business

Sundaram Holding USA Inc. (the "Company"), was incorporated in the State of Delaware on September 09, 2015. The Company is held by Sundaram Auto Components Limited and Sundaram Clayton Limited. The Company is a member in four single member limited liability companies - Green Hills Land Holding LLC, Component Equipment Leasing LLC, Workspace Projects LLC and Premier Land Holding LLC (incorporated on December 06, 2016). The Company and its subsidiaries are in a start-up phase and they are yet to start their revenue generating activities.

2. Basis of preparation

- The accompanying consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States ("US GAAP") to reflect the financial position, results of operations and cash flows of the Company.
- The consolidated financial statements are for the year April 01, 2016 to March 31, 2017 and for the period September 09, 2015 (date of inception) to March 31, 2016.
- Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior period to conform to the classifications used in the current year. These changes had no impact on previously reported net loss or stockholders' deficit.

3. Estimates and assumptions

The preparation of consolidated financial statements in conformity with

generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The management's estimates for realization of deferred tax assets and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates.

4. Cash and cash equivalents

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents comprise of balances in bank accounts and cash in hand.

5. Revenue recognition

The Company is currently in a start-up phase and is expected to start operations once the set-up for commercial production is completed.

6. Income taxes

Income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in the United States. Significant judgments and estimates are required in determining the income tax expense.

The Company accounts for deferred taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of change. Based on management's judgment, the measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits for which it is more likely than not that some portion or all of such benefits will not be realized.

7. Fair values measurements and financial instruments

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

8. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the straight-line method. When assets are retired or otherwise disposed of, the

SUNDARAM HOLDING USA INC.

cost of the asset and related depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

The estimated useful lives of assets are as follows:

Land	Indefinite life
Vehicles	6-7 years
Furniture and fixtures	10-11 years
Computer and equipment	3-4 years

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Company comprise of:

	As at March 31, 2017	As at March 31, 2016
Cash in hand	-	1,000
Balance with banks	1,014,328	-
Total	1,014,328	1,000

Cash balances with banks in the United States are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 250,000 at March 31, 2017 and the Company's non-interest bearing cash balances may exceed federal insured limits.

As on March 31, 2016, cash in hand comprised of cash received for shares issued and held in trust with the officer of the Company.

NOTE C - OTHER CURRENT ASSETS

Other current assets comprise of:

	As at March 31, 2017	As at March 31, 2016
Prepaid expense	2,650	-
Total	2,650	-

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment of the Company comprise of:

	As at March 31, 2017	As at March 31, 2016
Land	2,934,860	-
Vehicles	89,051	-
Furniture and fixtures	9,556	-
Computer and equipment	7,147	-
Less: Accumulated depreciation	(9,224)	-
Total	3,031,390	-

Depreciation for the year ended March 31, 2017 was \$ 9,224 (March 31, 2016: Nil).

NOTE E - CAPITAL ADVANCES

The capital advances made during the year include \$ 8,500 for the construction of manufacturing facility in Ridgeville, South Carolina and \$ 40,327 for installing conferencing equipment in the office premises.

NOTE F - OTHER CURRENT LIABILITIES

	As at March 31, 2017	As at March 31, 2016
Payable to employees	38,995	-
Accrued expenses	13,298	-
Provision for taxation	25	-
Total	52,318	-

NOTE G - INCOME TAXES

For the year ended March 31, 2017, the Company will file federal and state tax returns as per regulations applicable to Chapter C corporations in the United States.

The components of the provision for income taxes are as follows:

Current tax
Total provision for taxes

	As at March 31, 2017	As at March 31, 2016
Current tax	50	-
Total provision for taxes	50	-
	As at March 31, 2017	As at March 31, 2016
Non-current deferred tax assets		
Startup expenditure	460,815	105,508
Net operating losses	1,829	-
Property and equipment	3,441	-
Less: Valuation allowance	(466,084)	(105,508)
Deferred tax asset, net	-	-

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the uncertainty of future profitability (the Company being a start-up company), the management believes there exists significant uncertainties regarding the realization of deferred tax assets and accordingly has provided a valuation allowance of \$ 105,508 and \$ 466,084 as of March 31, 2016 and March 31, 2017, respectively.

Accounting for uncertain tax position

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax year 2015 remain subject to examination by the taxing authorities.

NOTE H - RELATED PARTY TRANSACTIONS

a) Details of related parties, their relationship and the respective transactions during the period are provided hereunder:

Name of the related party	Relationship
Sundaram Auto Component Limited	Holding Company
Sundaram Clayton Limited	Associate Company

b) Summary of the transactions with related parties are as follows:

	Amounts (\$)
Due to related parties	-
Balance as at September 09, 2015	-
Advances during the year	310,318
Repaid during the year	-
Balance as at March 31, 2016	310,318
Advances during the year	183,114
Payable converted to equity contribution (Refer Note K)	(493,432)
Balance as at March 31, 2017	-

During the year, the Company issued 3,600,000 shares to Sundaram Auto Components Limited and 1,200,000 shares to Sundaram Clayton Limited.

NOTE I - CONCENTRATION OF RISKS

The Company is in a start-up phase and is expected to start operations once the set-up for commercial production is completed.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2017, there was no significant risk of loss in the event of non-performance of the counter parties to these cash equivalents.

SUNDARAM HOLDING USA INC.

NOTE J - COMMITMENTS AND CONTINGENCIES

Operating lease

In May 2016, the Company entered into an operating lease for office premises in North Charleston effective July 2016 till June 2017 which can be renewed annually.

Particulars	Year ended March 31, 2017
Lease payments for the year	21,465
Minimum lease payments: Not later than one year	7,950

Commitments

On January 30, 2017, the Company entered into an agreement for the construction of its manufacturing facility in Ridgeville, South Carolina. Under the agreement, the Company has to pay \$ 8,500 per month for 14 months starting from March 2017.

The estimated future payments are as follows -

Particulars	Year ended March 31, 2017
Not later than one year	102,000
Later than one year but not later than five year	8,500

NOTE K - STOCKHOLDERS' EQUITY

Authorized

Authorized stock 10,000,000 at par \$ 1.

Common stock issued

Common stock issued as at March 31, 2017 was 5,294,432 shares of \$ 1 par. (Previous year 1,000 shares of \$ 1 each.) During the year, the Company issued 3,600,000 shares to Sundaram Auto Components Limited and 1,200,000 shares to Sundaram Clayton. Further, in March 2017, the balance payable to Sundaram Clayton Limited amounting to \$ 493,432 was converted to equity by issuing 493,432 shares of \$ 1 each.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by him in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

NOTE L - EMPLOYEE BENEFIT PLAN

The Company set up a 401(k) plan for its employees on December 22, 2016. The Company did not make any matching contribution during the year towards the same.

NOTE M - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 5, 2017 which is the date the financial statements were issued. There are no material effects of the same on the financial statements as on March 31, 2017.

**RE-STATED ACCOUNTS OF
SUNDARAM HOLDING USA INC.**

SUNDARAM HOLDING USA INC.

BALANCE SHEET AS AT 31ST MARCH 2017

	Notes	USD in Mn.		Rupees in crores	
		As at 31-03-2017	As at 31-03-2017	As at 31-03-2017	As at 31-03-2017
I ASSETS					
Non-current assets					
Property, plant and equipment	1	3.03	19.66		
Non-Current tax assets (Net)		0.05	0.32		
		<u>3.08</u>	<u>19.98</u>		
Current assets					
Financial assets					
Cash and cash equivalents	2	1.01	6.58		
Other current assets	3	-	0.02		
		<u>1.01</u>	<u>6.60</u>		
Total Assets		<u>4.09</u>	<u>26.58</u>		
II EQUITY AND LIABILITIES					
Equity					
Equity share capital	4	5.29	35.60		
Other equity	5	(1.25)	(9.36)		
		<u>4.04</u>	<u>26.24</u>		
Liabilities					
Current liabilities					
Financial liabilities					
Trade payables	6	0.01	0.09		
Other current liabilities	7	0.04	0.25		
		<u>0.05</u>	<u>0.34</u>		
Total Equity and Liabilities		<u>4.09</u>	<u>26.58</u>		

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2017

	Notes	USD in Mn.		Rupees in crores	
		As at 31-03-2017	As at 31-03-2017	As at 31-03-2017	As at 31-03-2017
I Revenue from operations		-	-		
II Other income		-	-		
III Total Income (I +II)		<u>-</u>	<u>-</u>		
IV Expenses:					
Depreciation and amortisation expense	1	0.01	0.06		
Other expenses	8	0.93	6.23		
		<u>0.94</u>	<u>6.29</u>		
V Profit before exceptional items (III - IV)		(0.94)	(6.29)		
VI Exceptional items		-	-		
VII Profit before tax (V+ VI)		<u>(0.94)</u>	<u>(6.29)</u>		
VIII Tax expense					
i) Current tax		-	-		
ii) Deferred tax		-	-		
IX Profit for the year (VII - VIII)		<u>(0.94)</u>	<u>(6.29)</u>		
X Other Comprehensive Income					
A. Items that will not be reclassified to profit or loss		-	-		
B. Items that will be reclassified to profit or loss					
Foreign currency translation adjustments		-	(1.03)		
		<u>-</u>	<u>(1.03)</u>		
XI Total Comprehensive Income (IX + X)		<u>(0.94)</u>	<u>(7.32)</u>		
XII Earnings per equity share (Face value of USD 1/- each)					
Basic & Diluted earnings per share (in USD / in rupees)		(0.18)	(11.88)		

SUNDARAM HOLDING USA INC.

Notes on accounts

1 PROPERTY, PLANT & EQUIPMENT

USD in Millions

Description	Property, Plant & Equipment				
	Land	Furniture	Vehicles	Office Equipments	Total
	1	2	3	4	5
Cost of assets					
Gross carrying value as at 01-04-2016	-	-	-	-	-
Additions	2.93	0.01	0.09	0.01	3.04
Sub-total	2.93	0.01	0.09	0.01	3.04
Sales / deletion	-	-	-	-	-
Total	2.93	0.01	0.09	0.01	3.04
Depreciation / Amortisation					
Upto 31-03-2016	-	-	-	-	-
For the year	-	-	0.01	-	0.01
Sub-total	-	-	0.01	-	0.01
Withdrawn on assets sold / deleted	-	-	-	-	-
Total	-	-	0.01	-	0.01
Carrying value					
As at 31-03-2017	2.93	0.01	0.08	0.01	3.03

1 PROPERTY, PLANT & EQUIPMENT

Rupees in crores

Description	Property, Plant & Equipment				
	Land	Furniture	Vehicles	Office Equipments	Total
	1	2	3	4	5
Cost of assets					
Gross carrying value as at 01-04-2016	-	-	-	-	-
Additions	19.03	0.06	0.58	0.05	19.72
Sub-total	19.03	0.06	0.58	0.05	19.72
Sales / deletion	-	-	-	-	-
Total	19.03	0.06	0.58	0.05	19.72
Depreciation / Amortisation					
Upto 31-03-2016	-	-	-	-	-
For the year	-	-	0.05	0.01	0.06
Foreign Currency translation reserve difference	-	-	-	-	-
Sub-total	-	-	0.05	0.01	0.06
Withdrawn on assets sold / deleted	-	-	-	-	-
Total	-	-	0.05	0.01	0.06
Carrying value					
As at 31-03-2017	19.03	0.06	0.53	0.04	19.66

SUNDARAM HOLDING USA INC.

Notes on accounts - (Continued)

	USD in Mn. Rupees in crores	
	As at 31-03-2017	As at 31-03-2017
2 CASH AND CASH EQUIVALENTS		
Balance with banks	1.01	6.58
	<u>1.01</u>	<u>6.58</u>
3 OTHER CURRENT ASSETS		
Prepaid expense	-	0.02
	<u>-</u>	<u>0.02</u>
4 EQUITY SHARE CAPITAL		
Authorised, issued, subscribed and fully paid up:		
Authorised:		
1,00,00,000 Ordinary shares of USD 1 each	10.00	64.85
Issued, subscribed and fully paid up:		
52,94,432 Ordinary shares of USD 1 each	5.29	35.60
	<u>5.29</u>	<u>35.60</u>
5 OTHER EQUITY		
General reserve	-	-
Retained earnings	(1.25)	(8.30)
Foreign currency translation reserve	-	(1.06)
	<u>(1.25)</u>	<u>(9.36)</u>

Notes on accounts - (Continued)

	USD in Mn. Rupees in crores	
	As at/year ended 31-03-2017	As at/year ended 31-03-2017
6 TRADE PAYABLES		
Current		
Dues to Micro and Small Enterprises **	-	-
Dues to enterprises other than Micro and Small Enterprises	0.01	0.09
	<u>0.01</u>	<u>0.09</u>
** Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information received by the management. The entire closing balance represents the principal amount payable to these enterprises. There are no interests due or outstanding on the same.		
7 OTHER CURRENT LIABILITIES		
Employee related liability	0.04	0.25
	<u>0.04</u>	<u>0.25</u>
8 OTHER EXPENSES		
General and administrative expenses	0.93	6.23
	<u>0.93</u>	<u>6.23</u>